
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended June 27, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to

Commission file number 0-21116

USANA, INC.
(Exact name of registrant as specified in its charter)

UTAH 87-0500306
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3838 West Parkway Blvd.
Salt Lake City, Utah 84120
(Address of principal executive offices, Zip Code)

(801) 954-7100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of the registrant's common stock as of July 31, 1998 was 12,990,238.

On July 21, 1998, the registrant declared a two-for-one stock split of its common stock, no par value, that was distributed in the form of a stock dividend on August 3, 1998 to shareholders of record as of July 31, 1998. Outstanding common stock data in this report have been adjusted to reflect the stock split.

USANA, INC.

Index to Consolidated Financial Statements and Exhibits
Filed with the Quarterly Report of the Company on Form 10-Q
For the Quarter Ended June 27, 1998

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USANA, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands)

<TABLE>
<CAPTION>

	As of December 27, 1997	As of June 27, 1998
	<C>	(Unaudited) <C>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,608	\$ 5,809
Accounts receivable, net	98	152
Inventories (Note A)	6,516	8,531
Prepaid expenses and other current assets	1,165	1,821
Current maturities of notes receivable	30	238
Deferred income taxes	856	1,155
Total current assets	11,273	17,706
Property and equipment, at cost (Note B)		13,911
		16,251
Other assets		
Deposits on machinery	1,093	37
Notes receivable, less current maturities	16	5
Other	76	88
Total assets	\$ 26,369	\$ 34,087

LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities

Accounts payable	\$	3,212	\$	3,549
Other current liabilities (Note C)		3,492		6,051
		-----		-----
Total current liabilities		6,704		9,600
Deferred income taxes		407		432
Stockholders' equity				
Common stock, no par value:				
Authorized -- 50,000 shares, issued and outstanding 12,812				
as of December 27, 1997 and 12,967 as of June 27, 1998			7,167	8,023
Cumulative foreign currency translation adjustment			(80)	(479)
Retained earnings		12,171		16,511
		-----		-----
Total stockholders' equity		19,258		24,055
		-----		-----
Total liabilities and stockholders' equity	\$	26,369	\$	34,087
		=====		=====

</TABLE>

The accompanying notes are an integral part of these statements.

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USANA, Inc. and Subsidiaries
Consolidated Statements of Earnings
(in thousands, except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	Quarter Ended June 28,	Quarter Ended June 27,
	1997	1998
	-----	-----
	<C>	<C>
Net sales	\$ 21,046	\$ 30,913
Cost of sales	4,394	6,408
	-----	-----
Gross profit	16,652	24,505
Operating expenses:		
Distributor incentives	9,807	13,930
Selling, general, and administrative	3,971	6,318
Research and development	299	373
	-----	-----
Total operating expenses	14,077	20,621
	-----	-----
Earnings from operations	2,575	3,884
Other income (expense):		
Interest income	32	62
Other, net	10	(41)
	-----	-----
Total other income	42	21
	-----	-----
Earnings before income taxes	2,617	3,905
Income taxes	955	1,501
	-----	-----
Net earnings	\$ 1,662	\$ 2,404
	=====	=====
Earnings per share - basic (Note D)	\$ 0.13	\$ 0.19
	=====	=====
Weighted average shares outstanding - basic (Note D)		12,705
		=====

Earnings per share - diluted (Note D)	\$	0.13	\$	0.17
Weighted average shares outstanding - diluted (Note D)			13,285	14,064

</TABLE>

The accompanying notes are an integral part of these statements.

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USANA, Inc. and Subsidiaries
Consolidated Statements of Earnings
(in thousands, except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 28,	Six Months Ended June 27,
	1997	1998
<S>	<C>	<C>
Net sales	\$ 38,700	\$ 57,077
Cost of sales	8,153	11,894
Gross profit	30,547	45,183
Operating expenses:		
Distributor incentives	18,156	25,692
Selling, general and administrative	7,373	11,751
Research and development	579	727
Total operating expenses	26,108	38,170
Earnings from operations	4,439	7,013
Other income (expense):		
Interest income	43	110
Interest expense	(8)	(6)
Other, net	29	(37)
Total other income	64	67
Earnings before income taxes	4,503	7,080
Income taxes	1,718	2,740
Net earnings	\$ 2,785	\$ 4,340
Earnings per share - basic (Note D)	\$ 0.22	\$ 0.34
Weighted average shares outstanding - basic (Note D)		12,704
Earnings per share - diluted (Note D)	\$ 0.21	\$ 0.31
Weighted average shares outstanding - diluted (Note D)		13,346

</TABLE>

The accompanying notes are an integral part of these statements.

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USANA, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 28,	Six Months Ended June 27,	
	1997	1998	
<S>	<C>	<C>	
Increase in cash and cash equivalents			
Cash flows from operating activities			
Net earnings	\$ 2,785	\$ 4,340	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	795	1,839	
Loss / (gain) on sale of property and equipment	(15)	42	
Provision for doubtful accounts	-	141	
Provision for inventory obsolescence	65	(70)	
Deferred income taxes	179	(274)	
Changes in assets and liabilities:			
Receivables	22	(195)	
Income taxes receivable	405	-	
Inventories	1,049	(2,142)	
Prepaid expenses and other assets	(809)	163	
Accounts payable	(1,657)	355	
Other current liabilities	729	2,622	
Total adjustments	763	2,481	
Net cash provided by operating activities		3,548	6,821
Cash flows from investing activities			
Receipts on notes receivable	13	15	
Increase in notes receivable	-	(212)	
Purchase of property and equipment	(2,049)	(4,171)	
Proceeds from the sale of property and equipment	1,060	51	
Net cash used in investing activities		(976)	(4,317)
Cash flows from financing activities			
Net proceeds from the sale of common stock		9	856
Increase in line of credit	605	-	
Decrease in line of credit	(2,105)	-	
Net cash (used in) provided by financing activities		(1,491)	856
Effect of exchange rate changes on cash		(22)	(159)
Net increase in cash and cash equivalents		1,059	3,201
Cash and cash equivalents at beginning of period		1,130	2,608
Cash and cash equivalents at end of period	\$ 2,189	\$ 5,809	
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	\$ 8	\$ 6	
Income taxes	\$ 1,364	\$ 2,861	

</TABLE>

The accompanying notes are an integral part of these statements.

Basis of Presentation

The unaudited interim consolidated financial information of USANA, Inc. and Subsidiaries (the "Company" or "USANA") has been prepared in accordance with Article 10 of Regulation S-X promulgated by the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying interim consolidated financial information contains all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's financial position as of June 27, 1998, and results of operations for the quarters and six months ended June 27, 1998 and June 28, 1997. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 27, 1997, as amended. The results of operations for the quarter and six months ended June 27, 1998 may not be indicative of the results that may be expected for the fiscal year ending January 2, 1999.

Recent Developments

On July 21, 1998, the Company's Board of Directors announced a two-for-one stock split distributed in the form of a stock dividend to shareholders of record for each share of common stock outstanding as of July 31, 1998. The distribution of the new shares occurred on August 3, 1998. Unless otherwise specifically stated herein, the number of shares of common stock of the Company have been adjusted to reflect the stock split in this Form 10-Q.

NOTE A - INVENTORIES

<TABLE>
<CAPTION>

Inventories consist of the following:	(in thousands)	
	December 27, 1997	June 27, 1998
	-----	-----
	<C>	<C>
Raw materials	\$2,313	\$2,211
Work in process	904	1,693
Finished goods	3,519	4,777
	-----	-----
	6,736	8,681
Less allowance for inventory obsolescence	220	150
	-----	-----
	\$6,516	\$8,531
	=====	=====

</TABLE>

NOTE B - PROPERTY AND EQUIPMENT

<TABLE>
<CAPTION>

Property and equipment consist of the following:	(in thousands)	
	December 27, 1997	June 27, 1998
	-----	-----
	<C>	<C>
Building	\$ 5,437	\$ 5,458
Laboratory and production equipment	1,480	1,954
Computer equipment	5,809	8,556
Furniture and fixtures	1,313	1,514
Automobiles	321	355
Leasehold improvements	86	389
Land improvements	289	289
	-----	-----
	14,735	18,515
Less accumulated depreciation and amortization	2,597	4,037
	-----	-----
	12,138	14,478
Land	1,773	1,773
	-----	-----
	\$13,911	\$16,251

</TABLE>

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NOTE C - OTHER CURRENT LIABILITIES

<TABLE>

<CAPTION>

Other current liabilities consist of the following:	(in thousands)		
	December 27, 1997	June 27, 1998	
	-----	-----	
<S>	<C>	<C>	
Employee compensation and related items		\$ 763	\$ 971
Distributor incentives	685	1,496	
Income taxes	729	608	
Sales taxes	658	725	
Deferred revenue	165	276	
Deferred convention registration fees		-	655
All other	492	1,320	
	-----	-----	
	\$ 3,492	\$ 6,051	

</TABLE>

NOTE D - EARNINGS PER SHARE

On July 21, 1998, the Company announced that its Board of Directors approved a two-for-one stock split effected in the form of a stock dividend that was distributed on August 3, 1998 to all shareholders of record on July 31, 1998. All stock option agreements and commitments of the Company payable in stock provide for the issuance of additional shares in the event of a stock split or similar event. This action did not change the par value of the common stock or the total number of shares the Company is authorized to issue. No amendment to the Company's Articles of Incorporation will be required.

Basic earnings per share are based on the weighted average number of shares outstanding for each period. Diluted earnings per share are based on shares outstanding (computed under basic EPS) and potentially dilutive shares. Potential shares included in dilutive earnings per share calculations include stock options granted but not exercised.

<TABLE>

<CAPTION>

	For the Quarter Ended June 28, 1997		
	Earnings (000's) (Numerator)	Shares (000's) (Denominator)	Earnings Per Share
<S>	<C>	<C>	<C>
Basic EPS			
Net earnings	\$ 1,662	12,705	\$0.13
Effect of dilutive securities			
Stock options	-	580	
Diluted EPS			
Net earnings	\$ 1,662	13,285	\$0.13

</TABLE>

During the second quarter of 1997, options to purchase 1,050,000 shares of stock at \$7.83 a share were outstanding. They were not included in the computation of EPS for such period because their exercise price was greater than the average market price of the shares.

<TABLE>

<CAPTION>

	For the Quarter Ended June 27, 1998		
	Earnings (000's) (Numerator)	Shares (000's) (Denominator)	Earnings Per Share
<S>	<C>	<C>	<C>

<S>	<C>	<C>	<C>
Basic EPS			
Net earnings	\$ 2,404	12,895	\$0.19
		=====	
Effect of dilutive securities			
Stock options	-	1,169	
	-----	-----	
Diluted EPS			
Net earnings	\$ 2,404	14,064	\$0.17
	=====	=====	=====

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NOTE D - EARNINGS PER SHARE (Continued)

<TABLE>
<CAPTION>

For the Six Months Ended June 28, 1997

	Earnings (000's) (Numerator)	Shares (000's) (Denominator)	Earnings Per Share
<S>	<C>	<C>	<C>
Basic EPS			
Net earnings	\$ 2,785	12,704	\$0.22
		=====	
Effect of dilutive securities			
Stock options	-	642	
	-----	-----	
Diluted EPS			
Net earnings	\$ 2,785	13,346	\$0.21
	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

For the Six Months Ended June 27, 1998

	Earnings (000's) (Numerator)	Shares (000's) (Denominator)	Earnings Per Share
<S>	<C>	<C>	<C>
Basic EPS			
Net earnings	\$ 4,340	12,842	\$0.34
		=====	
Effect of dilutive securities			
Stock options	-	1,060	
	-----	-----	
Diluted EPS			
Net earnings	\$ 4,340	13,902	\$0.31
	=====	=====	=====

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-Q.

Overview

USANA develops and manufactures high-quality nutritional, personal care and weight management products. The Company distributes its products through a network marketing system. As of June 27, 1998, the Company had approximately 102,000 current distributors in the United States, Canada, Australia and New Zealand. The Company defines a current distributor as a distributor who has made a purchase in the most recent twelve-month period. From 1993 to 1997, net sales of the Company grew from \$3.9 million to \$85.2 million, while net earnings increased from a loss of \$312,000 to net earnings of \$6.6 million.

The Company's three primary product lines consist of nutritional, personal care and weight management products. Nutritional products accounted for approximately 80% of the Company's net sales for the six months ended June 27, 1998. The Company's top-selling products, USANA Essentials and Proflavanol(R), represented approximately 42% and 20%, respectively, of net sales for the six months ended June 27, 1998. USANA's personal care line includes skin, hair and body, and dental care products. The Company's weight management line includes a dietary supplement in tablet form, food bars, meal entrees, instructional videos and other products developed to provide a comprehensive approach to weight management, proper diet, nutrition and healthy living. In June 1998, the Company introduced several new products, including CoQuinone(TM), Procosamine(TM), the USANA Dental Care System and an in-home water distillation system. In addition to its primary product lines, the Company also sells distributor kits and sales aids, which accounted for approximately 3% of the Company's net sales for the six months ended June 27, 1998.

Net sales of the Company are primarily dependent upon the efforts of a network of independent distributors who purchase products and sales materials. The Company also offers a Preferred Customer program specifically designed for customers who desire to purchase USANA's products for personal consumption, while choosing not to become independent distributors. As of June 27, 1998, the Company had approximately 16,000 Preferred Customers. The Company recognizes revenue when products are shipped and title passes to independent distributors and Preferred Customers. For the six months ended June 27, 1998, sales in the Company's three primary markets, the United States, Canada and Australia/New Zealand, were 60.6%, 28.5% and 10.9%, respectively, of net sales of the Company. As the Company expands into additional international markets, the Company expects international operations to account for an increasing percentage of its net sales.

Cost of sales primarily consists of raw materials, labor, quality assurance and overhead directly associated with the procurement and production of USANA's products and sales materials as well as duties and taxes associated with product exports. For the six months ended June 27, 1998, products manufactured by the Company accounted for approximately 75% of its net sales. As international sales increase as a percentage of net sales, the Company expects that its overall costs of sales could increase slightly, reflecting additional duties, freight and other expenses associated with international expansion.

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Distributor incentives are the Company's most significant expense and represented 45.0% of net sales for the six months ended June 27, 1998. Distributor incentives include commissions and leadership bonuses, and are paid weekly based on sales volume points. Each product sold by the Company is assigned a sales volume point value independent of the product's price. Distributors earn commissions based on sales volume points generated by their downline. Generally, distributor kits, sales aids and logo merchandise, such as hats, t-shirts and luggage, have no sales volume point value and therefore the Company pays no commissions for the sale of those items. The Company believes distributor incentives will remain relatively constant as a percentage of net sales for the remainder of 1998.

The Company closely monitors the amount of distributor incentives paid as a percentage of net sales and may from time to time adjust its distributor compensation plan to prevent distributor incentives from having a significant adverse effect on earnings, while continuing to maintain an appropriate incentive for its distributors. For example, in the third quarter of 1997, the Company introduced a repricing strategy across its product lines that created a spread between the price a distributor pays for the product and the sales volume point value associated with the product. This new pricing strategy had the effect of reducing the amount of total distributor incentives paid as a percentage of net sales. At the same time, the Company changed its leadership bonus program, increasing the payout from 2.0% to 3.0% of total sales volume points.

Selling, general and administrative expenses include wages and benefits, depreciation and amortization, rents and utilities, distributor events, promotion and advertising and professional fees along with other marketing and administrative expenses. Wages and benefits represent the largest component of selling, general and administrative expenses. The Company expects to add human resources and associated infrastructure as operations expand. The

President, Chief Executive Officer and Chairman of the Board of Directors of the Company, Dr. Wentz, does not receive a salary, and the Company does not anticipate that Dr. Wentz will take a salary for the foreseeable future. However, if Dr. Wentz were to take a salary, selling, general and administrative expenses would increase. Depreciation and amortization expense has increased as a result of substantial investments in computer and telecommunications equipment and systems to support international expansion. The Company anticipates that additional capital investments will be required in future periods to promote and support growth in sales and the Company's distributor base.

Research and development expenses include costs incurred in developing new products, supporting and enhancing existing products and reformulating products for introduction in international markets. The Company capitalizes product development costs after market feasibility is established. These costs are amortized over an average of 12 months, beginning with the month these products are available for sale.

In 1996, the Company changed from a calendar year to a 52-53 week fiscal year. The Company's current fiscal year ends January 2, 1999, and on the Saturday closest to December 31 of each fiscal year thereafter. References to a particular fiscal year are to the fiscal year ending on such Saturday for fiscal years 1996 and later, and to the year ended December 31 for fiscal years 1995 and earlier.

Results of Operations

Quarters Ended June 27, 1998 and June 28, 1997

Net Sales. Net sales increased 46.9% to \$30.9 million for the quarter ended June 27, 1998, an increase of \$9.9 million from \$21.0 million for the comparable period in 1997. Approximately 90% of the growth in net sales for this period was attributable to increases in total unit sales. The increase in unit sales is primarily the result of a 39.7% increase in the Company's independent distributor base and continued growth in its Preferred Customer program, which was introduced in the third quarter of 1997. As of June 27, 1998, the Company had approximately 102,000 current distributors compared to an estimated 73,000 current distributors at June 28, 1997. Approximately 38% of the growth in the distributor base was associated with the opening of the Australia/New Zealand market in February 1998. As of June 27, 1998, the Company had approximately 16,000 Preferred Customers. New product introductions in the third quarter of 1997, sales incident to the Company's annual international convention and the product price increase in the third quarter of 1997 also contributed to sales growth for the second quarter of 1998.

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Net sales for the quarter ended June 27, 1998 included approximately \$1 million from product sales incident to the Company's annual international convention in June 1998. The convention was held during the third quarter of 1997 and sales incident to the 1997 annual international convention were not included in the results of operations of the Company for the quarter ended June 28, 1997.

The following table illustrates the growth in sales by region for the quarters ended June 28, 1997 and June 27, 1998:

Sales Growth by Region
(in millions)

<TABLE>
<CAPTION>

Region	Quarters Ended		Growth Over		%	Growth
	June 28, 1997	June 27, 1998	June 27, 1998	Prior Year		
	<C>	<C>	<C>	<C>	<C>	<C>
United States	\$14.6	69.5%	\$18.0	58.2%	\$ 3.4	23.3%
Canada	6.4	30.5	8.3	26.9	1.9	29.7%
Australia / New Zealand	-	-	4.6	14.9	4.6	-
Consolidated	\$21.0	100.0%	\$30.9	100.0%	\$ 9.9	46.9%

</TABLE>

Cost of Sales. Cost of sales increased 45.8% to \$6.4 million for the quarter ended June 27, 1998, an increase of \$2.0 million from \$4.4 million for the comparable period in 1997. As a percentage of net sales, cost of sales decreased to 20.7% for the quarter ended June 27, 1998 from 20.9% in the comparable period in 1997. The decrease in cost of sales as a percentage of net sales can be attributed primarily to the price increase introduced in the third quarter of 1997 and volume-based efficiencies in production and procurement activities. These factors were partially offset for the quarter ended June 27, 1998 by additional costs such as freight and duties associated with exporting products to Australia/New Zealand, and a change in the sales mix to include a higher percentage of distributor kits which have a significantly lower gross profit margin. When a new market is opened, the Company typically experiences a higher demand for distributor kits in that market.

Distributor Incentives. Distributor incentives increased 42.0% to \$13.9 million for the quarter ended June 27, 1998, an increase of \$4.1 million from \$9.8 million for the comparable period in 1997. As a percentage of net sales, distributor incentives decreased to 45.1% for the quarter ended June 27, 1998 from 46.6% in the comparable period in 1997. The decrease in distributor incentives as a percentage of net sales can be attributed primarily to implementation of the Company's repricing strategy and a change in the sales mix that resulted from increased demand for distributor kits in the Australia/New Zealand market. To a lesser extent, the sale of sales aids and logo merchandise at the Company's annual international convention in June 1998 also contributed to this decrease because no distributor incentives are paid for the sale of those items. The decrease in distributor incentives as a percentage of net sales was partially offset by an increase in the Company's leadership bonus program from 2.0% to 3.0% of the sales volume points generated.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 59.1% to \$6.3 million for the quarter ended June 27, 1998, an increase of \$2.3 million from \$4.0 million for the comparable period in 1997. As a percentage of net sales, selling, general and administrative expenses increased to 20.4% for the quarter ended June 27, 1998 from 18.9% for the comparable period in 1997. The increase in selling, general and administrative expenses can be attributed primarily to three factors: (i) higher variable expenses such as discount fees on credit cards and increases in customer service staffing levels to accommodate growth in sales and the number of distributors and Preferred Customers; (ii) increased depreciation and amortization expense of approximately 1% as a percentage of net sales as a result of substantial investments in prior periods in

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computer and telecommunications equipment to support growth and international expansion; and (iii) higher relative costs associated with international expansion, primarily related to commencing operations in Australia/New Zealand in February 1998.

Research and Development. Research and development expenses increased 24.7% to \$373,000 for the quarter ended June 27, 1998, an increase of \$74,000 from \$299,000 for the comparable period of 1997. Increases in research and development expenses for the quarter ended June 27, 1998 were primarily the result of new product development, the initiation of several clinical studies and the reformulation of existing products.

Net Earnings. Net earnings increased 44.6% to \$2.4 million for the quarter ended June 27, 1998, an increase of \$0.7 million from \$1.7 million for the comparable period in 1997. The improvement in net earnings was primarily the result of increased sales. Net earnings reflect the combined effect of decreased cost of sales, decreased distributor incentives, and increased selling, general and administrative expenses relative to net sales, which resulted in a 7.8% profit margin for the quarter ended June 27, 1998 compared to 7.9% for the comparable period in 1997. Diluted earnings per share increased 30.8% to \$0.17 for the quarter ended June 27, 1998, an increase of \$0.04 compared to \$0.13 per share for the comparable period in 1997.

Six Months Ended June 27, 1998 and June 28, 1997

Net Sales. Net sales increased 47.5% to \$57.1 million for the six months ended June 27, 1998, an increase of \$18.4 million from \$38.7 million for the

comparable period in 1997. Approximately 90% of the growth in net sales for this period was attributable to increases in total unit sales. The increase in unit sales is primarily the result of a 39.7% increase in the Company's independent distributor base and continued growth in its Preferred Customer program, which was introduced in the third quarter of 1997. As of June 27, 1998, the Company had approximately 102,000 current distributors compared to an estimated 73,000 at June 28, 1997. Approximately 38% of the growth in the distributor base was associated with the opening of the Australia/New Zealand market in February 1998. As of June 27, 1998, the Company had approximately 16,000 Preferred Customers. New product introductions in the third quarter of 1997, sales incident to the Company's annual international convention and the product price increase in the third quarter of 1997 also contributed to sales growth for the six months ended June 27, 1998. Net sales for the six months ended June 27, 1998 included approximately \$1 million from product sales incident to the Company's annual international convention in June 1998. The convention was held during the third quarter of 1997 and sales incident to the 1997 annual international convention were not included in the results of operations of the Company for the six months ended June 28, 1997.

The following table illustrates the growth in sales by region for the six months ended June 28, 1997 and June 27, 1998:

Sales Growth by Region
(in millions)

<TABLE>
<CAPTION>

Region	Six Months Ended		Growth over		%	Growth
	June 28, 1997	June 27, 1998	Prior Year			
United States	\$27.3	\$34.6	\$7.3	60.6%	26.7%	
Canada	11.4	16.3	4.9	43.0%		
Australia/New Zealand	-	6.2	6.2		-	
Total	\$38.7	\$57.1	\$18.4	100.0%	47.5%	

</TABLE>

Cost of Sales. Cost of sales increased 45.9% to \$11.9 million for the six months ended June 27, 1998, an increase of \$3.7 million from \$8.2 million for the comparable period in 1997. As a percentage of net sales, cost of sales decreased to 20.8% for the six months ended June 27, 1998, from 21.1% for the comparable period in 1997. The decrease in cost of sales as a percentage of net sales can be attributed primarily to the price increase introduced in the third quarter of 1997 and volume-based efficiencies in production and procurement activities. These factors were partially offset for the six

months ended June 27, 1998 by additional costs such as freight and duties associated with exporting products to Australia/New Zealand, and a change in the sales mix to include a higher percentage of distributor kits which have a significantly lower gross profit margin. When a new market is opened, the Company typically experiences a higher demand for distributor kits in that market.

Distributor Incentives. Distributor incentives increased 41.5% to \$25.7 million for the six months ended June 27, 1998, an increase of \$7.5 million from \$18.2 million for the comparable period in 1997. As a percentage of net sales, distributor incentives decreased to 45.0% for the six months ended June 27, 1998, from 46.9% for the comparable period in 1997. The decrease in distributor incentives as a percentage of net sales can be attributed primarily to the implementation of the Company's repricing strategy and a change in the sales mix that resulted from increased demand for distributor kits in the Australia/New Zealand market. To a lesser extent, the sale of sales aids and logo merchandise at the Company's annual international convention in June 1998 also contributed to this decrease because no distributor incentives are paid for the sale of those items. The decrease in distributor incentives as a percentage of net sales was partially offset by an increase in the Company's leadership bonus program from 2.0% to 3.0% of the sales volume points generated.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 59.4% to \$11.8 million for the six months ended June 27, 1998, an increase of \$4.4 million from \$7.4 million for the comparable period in 1997. As a percentage of net sales, selling, general and administrative expenses increased to 20.6% for the six months ended June 27, 1998, from 19.1% for the comparable period in 1997. The increase in selling, general and administrative expenses can be attributed primarily to three factors: (i) higher variable expenses such as discount fees on credit cards and increases in customer service staffing levels to accommodate growth in sales and the number of distributors and Preferred Customers; (ii) increased depreciation and amortization expense of approximately 1% as a percentage of net sales as a result of substantial investments in prior periods in computer and telecommunications equipment to support growth and international expansion; and (iii) higher relative costs associated with international expansion, primarily related to commencing operations in Australia/New Zealand in February 1998.

Research and Development. Research and development expenses increased 25.6% to \$727,000 for the six months ended June 27, 1998, an increase of \$148,000 from \$579,000 for the comparable period in 1997. Increases in research and development expenses for the six months ended June 27, 1998 were primarily the result of new product development, the initiation of several clinical studies and the reformulation of existing products.

Net Earnings. Net earnings increased 55.8% to \$4.3 million for the six months ended June 27, 1998, an increase of \$1.5 million from \$2.8 million for the comparable period in 1997. The improvement in net earnings was primarily the result of increased sales. Net earnings reflect the combined effect of decreased cost of sales, decreased distributor incentives, and increased selling, general and administrative expenses relative to net sales, which resulted in a 7.6% profit margin for the six months ended June 27, 1998 compared to 7.2% for the comparable period in 1997. Diluted earnings per share increased 47.6% to \$0.31 for the six months ended June 27, 1998, an increase of \$0.10 compared to \$0.21 per share for the comparable period in 1997.

Liquidity and Capital Resources

The Company has financed its growth primarily from cash flows from operations. For the six months ended June 27, 1998, the Company generated net cash from operations of \$6.8 million compared to \$3.5 million for the comparable period in 1997. Cash and cash equivalents at June 27, 1998 were \$5.8 million compared to \$2.6 million at December 27, 1997. Working capital was \$8.1 million at June 27, 1998, compared to \$4.6 million at December 27, 1997. The Company does not have significant receivables because it does not extend credit to its customers and requires payment prior to shipping.

The Company invested approximately \$4 million in property and equipment for the six months ended June 27, 1998, compared to approximately \$2 million for the comparable period in 1997. Inventory increased approximately \$2

million to \$8.5 million at June 27, 1998 from \$6.5 million at December 27, 1997. The increase in inventory can be attributed primarily to the commencement of operations in the Australia/New Zealand market, including the extended transit times of shipments to this market. As of June 27, 1998, the Company had invested approximately \$4 million to fund operations in Australia/New Zealand.

At June 27, 1998, the Company had \$5.0 million available under its line of credit, which expires May 31, 1999. The interest rate is computed at the bank's prime rate, or at the option of the Company, the LIBOR base rate plus 2.25%. Certain receivables, inventories and equipment collateralize the line of credit. The line-of-credit agreement also contains restrictive covenants requiring the Company to maintain certain financial ratios. As of June 27, 1998, the Company was in compliance with these covenants. There was no outstanding balance on the line of credit as of June 27, 1998.

A significant percentage of the Company's net sales are generated from the sale of products outside the United States. The Company intends to continue to expand its foreign operations. The Company is exposed to risks of changes in social, political and economic conditions inherent in foreign operations, including changes in the laws and policies that govern foreign investment in countries where it has operations as well as, to a lesser extent, changes in U.S. laws and regulations relating to foreign trade and investment. In addition,

the Company's results of operations and the value of its foreign assets are affected by fluctuations in foreign currency exchange rates, which may favorably or adversely affect reported earnings and, accordingly, the comparability of period-to-period results of operations. Changes in currency exchange rates may affect the relative prices at which the Company and foreign competitors sell their products in the same market. Sales outside the United States represented 12.3%, 21.1%, 30.8% and 39.4% of the Company's net sales in 1995, 1996, 1997 and for the six months ended June 27, 1998, respectively. The Company enters into forward foreign exchange contracts to hedge certain commitments denominated in foreign currency, including intercompany cash transfers. The Company generally does not use derivative instruments to manage currency fluctuations. Transaction hedging activities seek to protect operating results and cash flows from the potentially adverse effects of currency exchange fluctuations.

The Company believes that its current cash balances, the available line of credit, and cash provided by operations will be sufficient to cover its needs in the ordinary course of business for the next 12 months. In the event the Company experiences an adverse operating environment or unusual capital expenditure requirements, additional financing may be required. However, no assurance can be given that additional financing, if required, would be available on favorable terms. The Company may also require or seek additional financing, including through the sale of its equity securities to finance future expansion into new markets, capital acquisitions associated with the growth of the Company, and for other reasons. Any financing which involves the sale of equity securities or instruments convertible into such securities could result in immediate and possibly significant dilution to existing shareholders.

Year 2000 Issues

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company is in the process of ensuring that its internal computer systems are Year 2000 compliant. Many existing computer programs and databases use only two digits to identify the year in the date field (e.g., 98 would represent 1998). These programs and databases were developed and designed without considering the impact of the upcoming millennium. If not corrected, many computer systems may fail or create erroneous results at the turn of the century. This phenomenon and associated issues are referred to as the "Year 2000" problem. Based on a recent assessment, the Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 problem can be mitigated. The Company intends to use both internal and external

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resources to reprogram, or replace, and test its software for Year 2000 modifications. However, if such modifications or conversions are not made, or are not completed timely, the Year 2000 problem could have a material impact on the operations of the Company. The Company has initiated formal communications with all of its significant suppliers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 problems.

Independent of the Year 2000 problem, the Company determined in late 1997 that overall efficiencies could be achieved by the purchase and installation of the ERP system. The ERP system will replace all of the Company's existing resource planning systems except for the Distributor System. The Company has begun installing the ERP system and expects the installation to be complete during the first quarter of 1999. The third-party vendor of the ERP system has certified that its software is Year 2000 compliant according to the Information Technology Association of America. Therefore, assuming the successful installation of the ERP system, the Company does not expect any material Year 2000 compliance issues related to its primary internal business information systems. The Company intends to replace the Distributor System with two new systems in 1999 and to integrate it with the ERP system. With respect to third-party providers whose services are critical to the Company, the

Company intends to monitor the efforts of such providers as they become Year 2000 compliant.

The Company is presently not aware of any Year 2000 issues that have been encountered by any such third party which could materially affect the Company's operations. Notwithstanding the foregoing, there can be no assurance that the Company will not experience operational difficulties as a result of Year 2000 issues, either arising out of internal operations, or caused by third-party service providers, which individually or collectively could have an adverse impact on business operations or require the Company to incur unanticipated expenses to remedy any problems.

Inflation

The Company believes that inflation has not had a material impact on its historical operations or profitability.

Seasonality

The Company believes that the impact of seasonality on its results of operations is not material, although historically growth has been slower in the fourth quarter of each year. This could change as new markets are opened and become a more significant part of the Company's business. In addition, the significant growth experienced by the Company since its inception may make it difficult to accurately determine seasonal trends.

Forward-Looking Statements

Certain statements in Management's Discussion and Analysis of Financial Condition and Results of Operations and certain other sections of this Quarterly Report are forward-looking. These may be identified by the use of forward-looking words or phrases such as "believes," "expects," "anticipates," "should," "plans," "estimates," and "potential," among others. These forward-looking statements are based on the Company's reasonable current expectations. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks and uncertainties that may affect the business, financial condition, performance, development, and results of operations of the Company include: (1) the Company's dependence upon a network marketing system to distribute its products; (2) activities of its independent distributors; (3) rigorous government scrutiny of network marketing practices; (4) potential effects of adverse publicity regarding nutritional supplements or the network marketing industry; (5) reliance on key management personnel, including the Company's President, Chief Executive Officer and Chairman of the Board of Directors, Myron Wentz; (6) extensive government regulation of the Company's products and manufacturing; (7) risks related to the Company's expansion into international markets; (8) failure of the Company to sustain or manage growth including the failure to continue to develop new products; (9) the possible adverse effects of increased distributor incentives as a percentage of net sales; (10) the Company's reliance on information technology; (11) the adverse effect of the Company's loss of a high level sponsoring distributor together with a group of leading distributors in that person's downline; (12) the loss of product market share or distributors to competitors; (13) potential adverse effect of taxation and transfer pricing regulation or exchange rate fluctuations; or (14) the Company's inability to manage its Year 2000 risks. A more complete discussion of risk factors is included in the Company's Annual Report on Form 10-K, as amended, under the caption "Risk Factors".

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is party to certain litigation in the United States Federal District Court for the District of Connecticut which is also affected by two related actions as follows:

The U.S. Proceeding. On March 6, 1996, International Nutrition Company ("INC") filed a patent infringement action (the "U.S. Proceeding") against a

number of defendants, including USANA, alleging infringement of U.S. patent number 4,698,360 (the "'360 patent"). The complaint, filed in the United States District Court for the District of Connecticut, alleges that USANA's Proflavanol(R) product infringes the '360 patent. The complaint seeks preliminary and permanent injunctions against the manufacture, sale and use of Proflavanol(R), as well as damages in an unspecified amount, costs and attorneys' fees. If INC were to prevail in its claim for injunctive relief, USANA would be prohibited from using, selling, offering to sell, manufacturing or importing any infringing product. If liability were established, damages in the case could range from a reasonable royalty to lost profits, and if willfulness is established, could also include treble damages, as well as attorneys' fees. Having conducted a thorough investigation of the '360 patent and the allegations made in the complaint, USANA believes that its manufacture and sale of Proflavanol(R) does not infringe any valid claim of the '360 patent.

Reexamination Proceeding. On April 17, 1996, an unidentified party filed a request (the "Reexamination Proceeding") with the United States Patent and Trademark Office ("PTO") to reexamine the validity of the '360 patent. The request for reexamination was granted and the Reexamination Proceeding was conducted by the PTO. The U.S. Proceeding was stayed pending the outcome of the Reexamination Proceeding. On August 22, 1997, the PTO granted a Certificate of Reexamination for the '360 patent, confirming the validity of each of the claims of the '360 patent over the prior art cited as part of the Reexamination Proceeding.

The French Proceeding. INC claims an ownership interest in the '360 patent from Societe Civile d'Investigation Pharmacologique d'Aquitane ("SCIPA"), who took a one-half interest in the patent from the inventor, Jack Masquelier. The other half of the '360 patent was conveyed by Mr. Masquelier to a company known as Horphag Research Ltd. ("Horphag"). In October 1995, Horphag sued SCIPA, INC and others in Bordeaux, France (the "French Proceeding"), alleging that SCIPA's transfer of its one-half interest in the '360 patent to INC violated Horphag's right of preemption under French law and the provisions of the agreement by which Horphag and SCIPA acquired their ownership interests in the '360 patent. Horphag's complaint in the French Proceeding requested that the French court order that the assignment from SCIPA to INC be declared null and void, and that the court issue an order declaring that INC has no ownership interest in the '360 patent. USANA purchases its raw ingredients for Proflavanol(R) from Indena, a licensee of Horphag.

On March 21, 1997, the court in the U.S. Proceeding ordered that the action not proceed until resolution of the French Proceeding. On March 25, 1997, the trial court in Bordeaux issued a decision declaring that under French law, INC has no interest in the '360 patent, because of the principle of preemption. Specifically, the French trial court held that SCIPA, through whom INC claims ownership rights in the '360 patent, had an obligation to offer its one-half interest in the patent to Horphag before selling it to INC. Because SCIPA did not offer its interest to Horphag, the French trial court nullified the assignment from SCIPA to INC, finding that SCIPA has again become a joint owner of the '360 patent. INC appealed the decision of the trial court.

On May 28, 1998, the Court of Appeals in Bordeaux affirmed the decision of the trial court that INC has no ownership interest in the '360 patent. Specifically, the decision holds that INC does not now hold and never has held any ownership rights in the '360 patent. The appellate court also found that recent attempts by Mr. Masquelier to assign an interest in the '360 patent to INC are null and void because he had no ownership interest in the '360 patent and therefore could not assign such an interest to INC. The French appellate decision also rejected INC's argument that it purchased an interest in the '360 patent in good faith, without knowledge of Horphag's one-half interest.

There can be no assurance, however, that USANA will succeed in its defense of this matter. On July 10, 1998, USANA filed a motion to dismiss the INC complaint, alleging that, based on the French decisions, INC has no standing to sue. Alternatively, USANA has alleged that under U.S. law, even if INC were a co-owner of the '360 patent, it owns at most a one-half interest and cannot bring suit to enforce the patent unless the other co-owner voluntarily agrees to join in such suit as a plaintiff. The other owner of the '360 patent, Horphag, has not voluntarily joined the U.S. Proceeding as a plaintiff and, in fact, is a defendant in this proceeding. Therefore, USANA believes the litigation must be dismissed. No hearing has been set on USANA's motion to dismiss, although INC

has indicated it will oppose the motion. USANA intends to vigorously defend its right to continue providing its Proflavanol(R) product to its customers.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At its Annual Meeting of Shareholders on June 23, 1998, the following actions were submitted and approved by vote of the majority of the issued and outstanding shares of the Company:

- (1) Election of five directors;
- (2) Approval of the Board of Directors' selection of Grant Thornton LLP as the Company's independent certified public accountants; and
- (3) Approval of the amendments to the Company's 1995 Long-term Stock Investment and Incentive Plan coincident with the consolidation of the Director Stock Option Plan and the Long-term Stock Investment and Incentive Plan without increasing the aggregate number of shares available for issuance under the combined plans.

The shares voted on at the June 23, 1998 Annual Meeting of Shareholders have not been adjusted to reflect the stock split as previously mentioned herein. A total of 5,412,234 shares (approximately 84%) of the issued and outstanding shares of the Company were represented by proxy or in person at the meeting. These shares were voted on the matters described above as follows:

- 1. For the directors as follows:

<TABLE>
<CAPTION>

Name	For	Against	Abstaining/ Withheld
Dr. Myron W. Wentz	5,402,302	1,338	8,594
David A. Wentz	5,401,102	2,538	8,594
Ronald S. Poelman	5,402,302	1,338	8,594
Dr. Ned M. Weinshenker	5,401,402	2,238	8,594
Robert Anciaux	5,402,302	1,338	8,594

</TABLE>

- 2. For the ratification of Grant Thornton LLP as the independent certified accountants of the Company as follows:

For	Against	Abstaining
5,404,207	1,730	6,297

- 3. For the amendment and consolidation of the Stock Option Plans:

For	Against	Abstaining	Broker Non-Votes
5,261,290	28,283	8,056	114,605

ITEM 5. OTHER INFORMATION

Stockholder Proposals for 1999 Annual Meeting

As set forth in the Company's Proxy Statement for its 1998 Annual Meeting of Shareholders, shareholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), for inclusion in the Company's proxy materials for its 1999 Annual Meeting of Shareholders

must be received by the Secretary of the Company at the principal offices of the Company no later than December 31, 1998.

In addition, in accordance with recent amendments to Rules 14a-4, 14a-5 and 14a-8 under the Exchange Act, written notice of shareholder proposals submitted outside the procedures of Rule 14a-8 for consideration at the 1999 Annual Meeting of Shareholders must be received by the Company on or before April 13, 1999 in order to be considered timely for purposes of Rule 14a-4. The persons designated in the Company's proxy statement and management proxy card will be granted discretionary authority with respect to any shareholder proposal with respect to which the Company does not receive timely notice.

Stock Split

The Company's Board of Directors authorized a two-for-one stock split in the form of a stock dividend, wherein one share of Common Stock was issued on August 3, 1998 to shareholders of record for each share of Common Stock outstanding as of July 31, 1998.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

- 10.1 Business Loan Agreement by and between Bank of America National Trust and Savings Association, d/b/a Seafirst Bank ("Seafirst Bank") and the Company.
- 10.2 Loan Modification Agreement by and between Seafirst Bank and the Company dated as of May 28, 1998.
- 10.3 Employment Agreement dated June 1, 1997 by and between the Company and Gilbert A. Fuller.
- 10.4 Amended and Restated Long Term Stock Investment and Incentive Plan.
- 21 Subsidiaries
- 27 Financial Data Schedule

(b) Report on Form 8-K.

No current reports on Form 8-K were filed by the Company for the quarter ended June 27, 1998.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USANA, INC.

Date: August 11, 1998

By: /s/ Gilbert A. Fuller

Gilbert A. Fuller
Vice President and Chief
Financial Officer

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[LOGO OF SEAFIRST BANK APPEARS HERE]

BUSINESS LOAN AGREEMENT

This Business Loan Agreement ("Agreement") is made between Bank of America NT&SA doing business as Seafirst Bank ("Bank") and USANA, Inc. ("Borrower") with respect to the following:

Part A

1. LINE OF CREDIT #1. Subject to the terms of this Agreement, Bank will make loans to Borrower under a (X) revolving () non-revolving line of credit as follows:

(a) Total Amount Available: \$5,000,000

() Subject to the provisions of any accounts receivable and/or inventory borrowing plan required herein; it is expressly understood that collateral ineligible for borrowing purposes is determined solely by Bank.

() Subject to (describe): N/A

(b) Availability period: May 31, 1998 through May 31, 1999. However,

if loans are made an/or new promissory notes executed after the last date, such advances will be subject to the terms of this Agreement until repaid in full unless a written statement signed by the Bank and Borrower provides otherwise, or a replacement loan agreement is executed. The making of such additional advances alone, however, does not constitute a commitment by the Bank to make any further advances or extend the availability period.

(c) Interest Rate:

(X) Bank's publicly announced Reference Rate plus 0 percent of the

principal per annum. "Reference Rate" means the rate of interest publicly announced from time to time by Bank in San Francisco, California as its "Reference Rate". The Reference Rate is set based on various factors including Bank's cost and desired return, general economic conditions, and other factors, and is used as a reference point for pricing some loans. Bank may price loans to its customers at, above, or below the Reference Rate. Any change in the Reference Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Reference Rate.

(X) At the option of Borrower, loans within the approved commitment may be available, in minimum amount of \$250,000 or more for specific periods of time ranging from 30 days to 180 days, at LIBOR + 2.25%, per annum. Any LIBOR borrowings shall be

requested at least two business days prior to funding. LIBOR borrowings shall be based on the British Bankers' Association Interest Settlement Rate (BBAIRS), page 3750 on Telerate. The LIBOR rate shall be adjusted for reserves, deposit insurance, assessments and/or taxes. Borrowing periods for the LIBOR rate option may be for 30, 60, 90 or 180 days. Under the LIBOR rate option, any advance which is prepaid prior to maturity may be subject to a prepayment penalty.

(d) Interest Rate Basis: All interest will be calculated at the per annum interest rate based on a 360-day year and applied to the actual number of days elapsed.

(e) Repayment: At the times and in amounts as set forth in note(s) required under Part B Article 1 of this Agreement.

(f) Loan Fee: N/A payable on N/A.

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(g) Fee on Unutilized Portion of Line: On 8/31/98, and Quarterly thereafter, Borrower shall pay a fee based upon the average daily unused portion of the line of credit. This fee will be calculated as follows: One-fourth of one percent (0.25%) per annum.

(h) Other Fee(s) (Identify): N/A

(i) Collateral. This line of credit shall be secured by a security interest, which is hereby granted, in favor of Bank on the following collateral: Accounts Receivable, Inventory, and Equipment. Also, collateral securing other loans with Bank may secure this loan.

[LOGO OF SEAFIRST BANK APPEARS HERE]

BUSINESS LOAN AGREEMENT

Part B

- 1. Promissory Note(s). All loans shall be evidenced by promissory notes in a form and substance satisfactory to Bank.
- 2. Conditions to Availability of Loan/Line of Credit. Before Bank is obligated to disburse/make any advance, or at any time thereafter which Bank deems necessary and appropriate, Bank must receive all of the following, each of which must be in form and substance satisfactory to Bank ("loan documents"):
 - 2.1 Original, executed promissory note(s);
 - 2.2 Original executed security agreement(s) and/or deed(s) of trust covering the collateral described in Part A;
 - 2.3 All collateral described in Part A in which Bank wishes to have possessory security interest;
 - 2.4 Financing statement(s) executed by Borrower;
 - 2.5 Such evidence that Bank may deem appropriate that the security interests and liens in favor of Bank are valid, enforceable, and prior to the rights and interest of others except those consented to in writing by Bank;
 - +2.6 The following guaranty(ies) in favor of the Bank: N/A
 - +2.7 Subordination agreement(s) in favor of Bank executed by: N/A
 - 2.8 Evidence that the execution, delivery, and performance by Borrower of this Agreement and the execution, delivery, and performance by Borrower

and any corporate guarantor or corporate subordinating creditor of any instrument or agreement required under this Agreement, as appropriate, have been duly authorized;

- 2.9 Any other document which is deemed by the Bank to be required from time to time to evidence loans or to effect the provisions of this Agreement;
- 2.10 If requested by Bank, a written legal opinion expressed to Bank, of counsel for Borrower as to the matters set forth in sections 3.1 and 3.2, and to the best of such counsel's knowledge after reasonable investigation, the matters set forth in sections 3.3, 3.5, 3.6, 3.7, 3.9 and such other matters as the Bank may reasonably request;
- 2.11 Pay or reimburse Bank for any out-of-pocket expenses expended in making or administering the loans made hereunder including without limitation attorney's fees (including allocated costs of in-house counsel); and
- +2.12 Other (describe): N/A

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3. Representations and Warranties. Borrower represents and warrants to Bank, except as Borrower has disclosed to Bank in writing, as of the date of this Agreement and hereafter so long as credit granted under this Agreement is available and until full and final payment of all sums outstanding under this Agreement and promissory notes that:

+3.1 Borrower is duly organized and existing under the laws of the state of its organization as a:

General	Limited	Sole	
X Corporation	Partnership	Partnership	Proprietorship dba
-	--	--	----

LLC with Duration of
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Borrower is properly licensed and in good standing in each state in which Borrower is doing business and Borrower has qualified under, and complied with, where required, the fictitious or trade name statutes of each state in which Borrower is doing business, and Borrower has obtained all necessary government approvals for its business activities; the execution, delivery, and performance of this Agreement and such notes and other instruments required herein are within Borrower's powers, have been duly authorized, and, as to Borrower and any guarantor, are not in conflict with the terms of any charter, bylaw, or other organization papers of Borrower, and this Agreement, such notes and the loan documents are valid and enforceable according to their terms;

- 3.2 The execution, delivery, and performance of this Agreement, the loan documents and any other instruments are not in conflict with any law or any indenture, agreement or undertaking to which Borrower is a party or by which Borrower is bound or affected;
- 3.3 Borrower has title to each of the properties and assets as reflected in its financial statements (except such assets which have been sold or otherwise disposed of in the ordinary course of business), and no assets or revenues of the Borrower are subject to any lien except as required or permitted by this Agreement, disclosed in its financial statements or otherwise previously disclosed to Bank in writing;
- 3.4 All financial information, statements as to ownership of Borrower and all other statements submitted by Borrower to Bank, whether previously or in the future, are and will be true and correct in all material respects upon submission and are and will be complete upon submission insofar as may be necessary to give Bank a true and accurate knowledge of the subject matter thereof;
- 3.5 Borrower has filed all tax returns and reports as required by law to be filed and has paid all taxes and assessments applicable to

Borrower or to its properties which are presently due and payable, except those being contested in good faith;

3.6 There are no proceedings, litigation or claims (including unpaid taxes) against Borrower pending or, to the knowledge of the Borrower, threatened, before any court or government agency, and no other event has occurred which may have a material adverse effect on Borrower's financial condition;

3.7 There is no event which is, or with notice or lapse of time, or both, would be, an Event of Default (as defined in Section 7) under this Agreement;

+3.8 Year 2000 Compliance: The Borrower has conducted a comprehensive review and assessment of the Borrower's computer applications and made inquiry of the Borrower's key suppliers, vendors and customers with respect to the "year 2000 problem" (that is, the risk that computer applications may not be able to properly perform date-sensitive functions after December 31, 1999) and, based on that review and inquiry, the Borrower does not believe the year 2000 problem will result in a material adverse change in the Borrower's business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit.

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3.9 Borrower has exercised due diligence in inspecting Borrower's properties for hazardous wastes and hazardous substances. Except as otherwise previously disclosed and acknowledged to Bank in writing: (a) during the period of Borrower's ownership of Borrower's properties, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or hazardous substance by any person in, on, under or about any of Borrower's properties; (b) Borrower has no actual or constructive knowledge that there has been any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or hazardous substance by any person in, on, under or about any of Borrower's properties by any prior owner or occupant of any of Borrower's properties; and (c) Borrower has no actual or constructive notice of any actual or threatened litigation or claims of any kind by any person relating to such matters. The terms "hazardous waste(s)," "hazardous substance(s)," "disposal," "release," and "threatened release" as used in this Agreement shall have the same meanings as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq., the Superfund Amendments and Reauthorization Act of 1986, as amended, Pub. L. No. 99-499, the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, as amended, 49 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules or regulations adopted pursuant to any of the foregoing; and

+3.10 Each chief place of business of Borrower, and the office or offices where Borrower keeps its records concerning any of the collateral, is located at: 3838 W. Parkway Blvd., Salt Lake City, Utah.

4. Affirmative Covenants. So long as credit granted under this Agreement is available and until full and final payment of all sums outstanding under this Agreement and promissory note(s) Borrower will:

+4.1 Use the proceeds of the loans covered by this Agreement only in connection with Borrower's business activities and exclusively for the following purposes:

+4.2 Maintain current assets in an amount at least equal to 1.25 times current

liabilities, and not less than N/A. Current assets and current

liabilities shall be determined in accordance with generally accepted accounting principles and practices, consistently applied;

+4.3 Maintain a tangible net worth of at least N/A and not permit Borrower's

total indebtedness which is not subordinated in a manner satisfactory to Bank to exceed 1.0 times Borrower's tangible net worth. "Tangible net

worth" means the excess of total assets over total liabilities, excluding, however, from the determination of total assets (a) all assets which should be classified as intangible assets such as goodwill, patents, trademarks, copyrights, franchises, and deferred charges (including unamortized debt discount and research and development costs), (b) treasury stock, (c) cash held in a sinking or other similar fund established for the purpose of redemption or other retirement of capital stock, (d) to the extent not already deducted from total assets, reserves for depreciation, depletion, obsolescence or amortization of properties and other reserves or appropriations of retained earnings which have been or should be established in connection with the business conducted by the relevant corporation, and (e) any revaluation or other write-up in book value of assets subsequent to the fiscal year of such corporation last ended at the date of this Agreement;

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+4.4 Upon request Borrower agrees to insure and to furnish Bank with evidence of insurance covering the life of Borrower (if an individual) or the lives of designated partners or officers of Borrower (if a partnership or corporation) in the amounts stated below. Borrower shall take such actions as are reasonably requested by Bank, such as assigning the insurance policies to Bank or naming Bank as beneficiary and obtaining the insurer's acknowledgment thereof, to provide that in the event of the death of any of the named insureds the policy proceeds will be applied to payment of Borrower's obligations owing to Bank;

Name: N/A

+4.5 Promptly give written notice to Bank of: (a) all litigation and claims made or threatened affecting Borrower where the amount is \$250,000 or more; (b) any substantial dispute which may exist between Borrower and any governmental regulatory body or law enforcement authority; (c) any Event of Default under this Agreement or any other agreement with Bank or any other creditor or any event which become an Event of Default; and (d) any other matter which has resulted or might result in a material adverse change in Borrower's financial condition or operations;

+4.6 Borrower shall as soon as available, but in any event within 120 days following the end of each Borrower's fiscal years and within 45 days following the end of each quarter provide to Bank, in a form satisfactory to Bank (including audited statements if required at any time by Bank), such financial statements and other information respecting the financial condition and operations of Borrower as Bank may reasonably request;

* See 11.4 and 11.5 - Additional Provisions:

4.7 Borrower will maintain in effect insurance with responsible insurance companies in such amounts and against such risks as is customarily maintained by persons engaged in businesses similar to that of Borrower and all policies covering property given as security for the loans shall have loss payable clauses in favor of Bank. Borrower agrees to deliver to Bank such evidence of insurance as Bank may reasonably require and, within thirty (30) days after notice from Bank, to obtain such additional insurance with an insurer satisfactory to the Bank;

4.8 Borrower will pay all indebtedness taxes and other obligations for which the Borrower is liable or to which its income or property is subject before they shall become delinquent, except any which is being contested by the Borrower in good faith;

4.9 Borrower will continue to conduct its business as presently constituted,

and will maintain and preserve all rights, privileges and franchises now enjoyed, conduct Borrower's business in an orderly, efficient and customary manner, keep all Borrower's properties in good working order and condition, and from time to time make all needed repairs, renewals or replacements so that the efficiency of Borrower's properties shall be fully maintained and preserved;

4.10 Borrower will maintain adequate books, accounts and records and prepare all financial statements required hereunder in accordance with generally accepted accounting principles and practices consistently applied, and in compliance with the regulations of any governmental regulatory body having jurisdiction over Borrower or Borrower's business;

4.11 Borrower will permit representatives of Bank to examine and make copies of the books and records of Borrower and to examine the collateral of the Borrower at reasonable times;

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4.12 Borrower will perform, on request of Bank, such acts as may be necessary or advisable to perfect any lien or security interest provided for herein or otherwise carry out the intent of this Agreement;

4.13 Borrower will comply with all applicable federal, state and municipal laws, ordinances, rules and regulations relating to its properties, charters, businesses and operations, including compliance with all minimum funding and other requirements related to any of Borrower's employee benefit plans;

4.14 Borrower will permit representatives of Bank to enter onto Borrower's properties to inspect and test Borrower's properties as Bank, in its sole discretion, may deem appropriate to determine Borrower's compliance with section 5.8 of this Agreement; provided however, that any such inspections and tests shall be for Bank's sole benefit and shall not be construed to create any responsibility or liability on the part of Bank to Borrower or to any third party.

5. Negative Covenants. So long as credit granted under this Agreement is available and until full and final payment of all sums outstanding under this Agreement and promissory note(s):

+5.1 Borrower will not, during any fiscal year, expend or incur in the aggregate more than N/A for fixed assets, nor more than N/A for any

single fixed asset whether or not payable that fiscal year or later under any purchase agreement or lease;

5.2 Borrower will not, without the prior written consent of Bank, purchase or lease under an agreement for acquisition, incur any other indebtedness for borrowed money, mortgage, assign, or otherwise encumber any of Borrower's assets, nor sell, transfer or otherwise hypothecate any such assets except in the ordinary course of business. Borrower shall not guaranty, endorse, co-sign, or otherwise become liable upon the obligations of others, except by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business. For purposes of this paragraph, the sale or assignment of accounts receivable, or the granting of a security interest therein, shall be deemed the incurring of indebtedness for borrowed money; See

11.6 - Additional Provisions;

+5.3 The total of salaries, withdrawals, or other forms of compensation, whether paid in cash or otherwise, by Borrower shall not exceed the following amounts for the persons indicated, nor will amounts in excess of such limits be paid to any other person:

Name: N/A

5.4 Borrower will not, without Bank's prior written consent, declare any dividends on shares of its capital stock, or apply any of its assets to

the purchase, redemption or other retirement of such shares, or otherwise amend its capital structure;

- +5.5 Borrower will not make any loan or advance to any person(s) or purchase or otherwise acquire the capital stock, assets or obligations of, or any interest in, any person, except:
- (a) commercial bank time deposits maturing within one year,
 - (b) marketable general obligations of the United States or a State, or marketable obligations fully guaranteed by the United States,
 - (c) short-term commercial paper with the highest rating of a generally recognized rating service, and
 - (d) other investments relating to the Borrower's business which, together with such other investments now outstanding, do not in the aggregate exceed the sum of \$1,000,000 at any time;

- 5.6 Borrower will not liquidate or dissolve or enter into any consolidation, merger, pool, joint venture, syndicate or other combination, or sell, lease, or dispose of Borrower's business assets as a whole or such as in the option of Bank constitute a substantial portion of Borrower's business or assets;

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- 5.7 Borrower will not engage in any business activities or operations substantially different from or unrelated to present business activities or operations; and/or
- 5.8 Borrower, and Borrower's tenants, contractors, agents or other parties authorized to use any of Borrower's properties, will not use, generate, manufacture, store, treat, dispose of, or release any hazardous substance or hazardous waste in, on, under or about any of Borrower's properties except as previously disclosed to Bank in writing as provided in section 3.9; and any such activity shall be conducted in compliance with all applicable federal, state and local laws, regulations and ordinances, including without limitation those described in section 3.9.
6. Waiver, Release and Indemnification. Borrower hereby:
- (a) releases and waives any claims against Bank for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any of the applicable federal, state or local laws, regulations or ordinances, including without limitation those described in section 3.9, and
 - (b) agrees to indemnify and hold Bank harmless from and against any and all claims, losses, liabilities, damages, penalties and expenses which Bank may directly or indirectly sustain or suffer resulting from a breach of (i) any of Borrower's representations and warranties with respect to hazardous wastes and hazardous substances contained in section 3.9, or (ii) section 5.8. The provisions of this section 6 shall survive the full and final payment of all sums outstanding under this Agreement and promissory notes and shall not be affected by Bank's acquisition of any interest in any of the Borrower's properties, whether by foreclosure or otherwise.
7. Events of Default. The occurrence of any of the following events ("Events of Default") shall terminate any and all obligations on the part of Bank to make or continue the loan and/or line of credit and, at the option of Bank, shall make all sums of interest and principal outstanding under the loan and/or line of credit immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of non payment or dishonor, or other notices or demands of any kind or character, all of which are waived by Borrower, and Bank may proceed with collection of such obligations and enforcement and realization upon all security which it may hold and to the enforcement of all rights hereunder or at law:
- 7.1 The Borrower shall fail to pay when due any amount payable by it hereunder on any loans or notes executed in connection herewith;

7.2 Borrower shall fail to comply with the provisions of any other covenant, obligation or term of this Agreement for a period of fifteen (15) days after the earlier of written notice thereof shall have been given to the Borrower by Bank or Borrower or any Guarantor has knowledge of an Event of Default or an event that can become an Event of Default;

7.3 Borrower shall fail to pay when due any other obligation for borrowed money, or to perform any term or covenant on its part to be performed under any agreement relating to such obligation or any such other debt shall be declared to be due and payable and such failure shall continue after the applicable grace period;

7.4 Any representation or warranty made by Borrower in this Agreement or in any other statement to Bank shall prove to have been false or misleading in any material respect when made, or Borrower's representations regarding the "year 2,000 problem" shall cease to be true, whether or not true when made, and as a result Bank reasonably believes that Borrower's financial condition or its ability to pay its debts as they come due will thereby be materially impaired;

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7.5 Borrower makes an assignment for the benefit of creditors, files a petition in bankruptcy, is adjudicated insolvent or bankrupt, petitions to any court for a receiver or trustee for Borrower or any substantial part of its property, commences any proceeding relating to the arrangement, readjustment, reorganization or liquidation under any bankruptcy or similar laws, or if there is commenced against Borrower any such proceedings which remain undismissed for a period of thirty (30) days or, if Borrower by any act indicates its consent or acquiescence in any such proceeding or the appointment of any such trustee or receiver;

7.6 Any judgement attaches against Borrower or any of its properties for an amount in excess of \$500,000 which remains unpaid, unstayed

on appeal, unbonded, or undismissed for a period of thirty (30) days;

7.7 Loss of any required government approvals, and/or any governmental regulatory authority takes or institutes action which, in the opinion of Bank, will adversely affect Borrower's condition, operations or ability to repay the loan and/or line of credit;

7.8 Failure of Bank to have a legal, valid and binding first lien on, or a valid and enforceable prior perfected security interest in, any property covered by any deed of trust or security agreement required under this Agreement;

7.9 Borrower dies, becomes incompetent, or ceases to exist as a going concern;

7.10 Occurrence of an extraordinary situation which gives Bank reasonable grounds to believe that Borrower may not, or will be unable to, perform its obligations under this or any other agreement between Bank and Borrower; or

7.11 Any of the preceding events occur with respect to any guarantor of credit under this Agreement, or such guarantor dies or becomes incompetent, unless the obligations arising under the guaranty and related agreements have been unconditionally assumed by the guarantor's estate in a manner satisfactory to Bank.

8. Successors; Waivers. Notwithstanding the Events of Default above, this Agreement shall be binding upon and inure to the benefit of Borrower and Bank, their respective successors and assigns, except that Borrower may not assign its rights hereunder. No consent or waiver under this Agreement shall be effective unless in writing and signed by the Bank and shall not waive or affect any other default, where prior or subsequent thereto, and whether of the same or different type. No delay

or omission on the part of the Bank in exercising any right shall operate as a waiver of such right or any other right.

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9. Arbitration.

9.1 At the request of either Bank or Borrower any controversy or claim between the Bank and Borrower, arising from or relating to this Agreement or any loan document executed in connection with this Agreement or arising from any alleged tort shall be settled by arbitration in Seattle, Washington. The United States Arbitration Act will apply to the arbitration proceedings which will be administered by the American Arbitration Association under its commercial rules of arbitration except that unless the amount of the claims(s) being arbitrated exceeds \$5,000,000 there shall be only one arbitrator. Any controversy over whether an issue is arbitrable shall be determined by the arbitrator(s). Judgement upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of any action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of either party, including plaintiff, to submit the controversy or claim to arbitration if such action for judicial relief is contested. For purposes of the application of the statute of limitations the filing of an arbitration as provided herein is the equivalent of filing a lawsuit and the arbitrator(s) will have the authority to decide whether any claim or controversy is barred by the statute of limitations, and if so, to dismiss the arbitration on that basis. The parties consent to the joinder in the arbitration proceedings of any guarantor, hypothecator or other party having an interest related to the claim or controversy being arbitrated.

9.2 Notwithstanding the provisions of Section 9.1, no controversy or claim shall be submitted to arbitration without the consent of all parties if at the time of the proposed submission, such controversy or claim arises from or relates to an obligation secured by real property or by a marine vessel;

9.3 No provision of this Section 9 shall limit the right of the Borrower or the Bank to exercise self-help remedies such as setoff, foreclosure or sale of any collateral, or obtaining any ancillary provisional or interim remedies from a court of competent jurisdiction before, after or during the pendency of any arbitration proceeding. The exercise of any such remedy does not waive the right of either party to request arbitration. At Bank's option foreclosure under any deed of trust may be accomplished by exercise of the power of sale under the deed of trust of judicial foreclosure as a mortgage.

10. Collection Activities, Lawsuits and Governing Law. Borrower agrees to pay Bank all of Bank's costs and expenses (including reasonable attorney's fees and the allocated cost for in-house legal services incurred by Bank), incurred in the documentation and administration of this Agreement and the loans reflected herein. The nonprevailing party shall, upon demand by the prevailing party, reimburse the prevailing party of all of its costs, expenses and reasonable attorneys' fees (including the allocated cost of in-house counsel) incurred in connection with any controversy or claim between said parties relating to this Agreement or any of the loan documents, or to an alleged tort arising out of the transactions evidenced by this agreement or any of the loan documents, including those incurred in any action, bankruptcy proceeding, arbitration or other alternative dispute resolution proceeding, or appeal, or in the course of exercising any judicial or nonjudicial remedies. If suit is instituted by Bank to enforce this Agreement or any of the loan documents, Borrower consents to the personal jurisdiction of the courts of the State of Washington and Federal Courts located in the State of Washington. Borrower further consents to the venue of such suit being laid in Seattle, Washington. This Agreement and any notes, security agreements and other loan documents entered into pursuant to this Agreement shall be construed in accordance with the laws of the State of Washington.

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+11. Additional Provisions. Borrower agrees to the additional provisions set forth immediately following this Section 11 or on any "Exhibit - N/A"

attached to and hereby incorporated into Agreement. This Agreement supersedes all oral negotiations or agreements between Bank and Borrower with respect to the subject matter hereof and constitutes the entire understanding and Agreement of the matters set forth in this Agreement.

- 11.1 If any provision of this Agreement is held to be invalid or unenforceable the (a) such provision shall be deemed modified if possible, or if not possible, such provision shall be deemed stricken, and (b) all other provisions shall remain in full force and effect.
- 11.2 If the imposition of or any change in any law, rule, or regulation guideline or the interpretation or application of any thereof by any court of administrative or governmental authority (including any request or policy whether or not having the force of law) shall impose or modify any taxes (except U.S., federal, state or local income or franchise taxes imposed on Bank), reserve requirements, capital inadequacy requirements or other obligations which would: (a) increase the cost to Bank for extending or maintaining any loans and/or line of credit to which this Agreement relates, (b) reduce the amounts payable to Bank under this Agreement, such notes and other instruments, or (c) reduce the rate of return on Bank's capital as a consequence of Bank's obligations with respect to any loan and/or line of credit to which this Agreement relates, then Borrower agrees to pay Bank such additional amounts as will compensate Bank therefore, within five (5) days after Bank's written demand for such payment, which demand shall be accompanied by an explanation of such imposition or charge and a calculation in reasonable detail of the additional amounts payable by borrower, which explanation and calculations shall be conclusive absent manifest error.
- 11.4 Borrower agrees to provide audited financial statements annual within 120 days of fiscal year end.
- 11.5 Borrower agrees to provide Form 10K annually within 120 days of fiscal year end and FORM 10Q quarterly within 45 days of quarter end.
- 11.6 Leases where both asset and related obligations are off balance sheet will be allowed.

12. Miscellaneous. If any provision of this Agreement is held to be invalid or unenforceable, then (a) such provision shall be deemed modified if possible, or if not possible, such provision shall be deemed stricken, and (b) all other provisions shall remain in full force and effect.

- 12.1 If the imposition of or any change in any law, rule, or regulation guideline or the interpretation or application of any thereof by any court of administrative or governmental authority (including any request or policy whether or not having the force of law) shall impose or modify any taxes (except U.S. federal, state or local income or franchise taxes imposed on Bank), reserve requirements, capital adequacy requirements or other obligations which would: (a) increase the cost to Bank for extending or maintaining any loans and/or line of credit to which this Agreement relates, (b) reduce the amounts payable to Bank under this Agreement, such notes and other instruments, or (c) reduce the rate of return on Bank's capital as a consequence of Bank's obligations with respect to any loan and/or line of credit to which this Agreement relates, then Borrower agrees to pay Bank such additional amounts as will compensate Bank therefor, within five (5) days after Bank's written demand for such payment, which demand shall be accompanied by an explanation of such imposition or change and a calculation in reasonable detail of the additional amounts payable by Borrower, which explanation and calculations shall be conclusive, absent manifest error.

whole or in part without notice to Borrower and Bank may provide information regarding the Borrower and this Agreement to any prospective participant or assignee. If a participation is sold or the loan is assigned the purchaser will have the right to set off against the Borrower and may enforce its interest in the Loan irrespective of any claims or defenses the Borrower may have against the Bank.

13. Notices. Any notices shall be given in writing to the opposite party's signature below or as that party may otherwise specify in writing.

14. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT,

OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT

ENFORCEABLE UNDER WASHINGTON LAW.

This Business Loan Agreement (Parts A and B) executed by the parties on _____
(date) Borrower acknowledges having read all of the provisions of this Agreement
and Borrower agrees to its terms.

Bank of America NT&SA. D.B.A. Seafirst Eastern Commercial, Team #1

<TABLE>

<CAPTION>

(Branch/Office)

<S> <C> <C> <C>

By: /s/ J. Mike Sullivan

J. Mike Sullivan Title: Vice President

Address: 601 W. Riverside City, State, Zip: Spokane, WA 99201

Phone: (509) 353-1469 Fax: (509) 353-1492

<CAPTION>

USANA, INC.

<S> <C> <C> <C>
By: /s/ Gilbert A. Fuller Title: Vice President of Finance, CFO

Gilbert A. Fuller

Address: 3838 W. Parkway Blvd. City, State, Zip West Valley, UT 84120

Phone: (801) 954-7910 Fax: (801) 954-9486

</TABLE>

[LOGO OF SEAFIRST BANK APPEARS HERE]

LOAN MODIFICATION AGREEMENT

This agreement amends the Promissory Note dated November 12, 1996 ("Note") executed by USANA, INC. (together if more than one "Borrower") in favor Bank of America National Trust and Savings Association doing business as Seafirst Bank ("Bank") regarding a loan in the maximum principal amount of \$2,500,000.00 (the "Loan"), which currently has a maximum principal amount of \$5,000,000.00. For mutual consideration, Borrower and Bank agree to amend the Note as follows:

1. Maturity Date. The maturity date of the Note is changed to May 31, -----
1999. Bank's commitment to make advances to Borrower under its line of credit is also extended to May 31, 1999.

2. Other Terms. Except as specifically amended by this agreement or -----
any prior amendment, all other terms, conditions, and definitions of the Note, and all other security agreements, guaranties, deeds of trust, mortgages, and other instruments or agreements entered into with regard to the Loan shall remain in full force and effect.

This agreement is dated May 28, 1998.

Bank: SEAFIRST BANK

By: /s/ J. M. Sullivan

Name: J. Mike Sullivan

Title: Vice President

Borrower: USANA, INC.

Signature: /s/ G. A. Fuller

By: GILBERT A. FULLER

TITLE: VICE PRESIDENT OF FINANCE

USANA, INC.
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") effective as of the 1/st/ day of June, 1997 (the "Effective Date"), is made by and between USANA, INC., a Utah corporation having its principal place of business in Salt Lake City, Utah (the "Company"), and GILBERT A. FULLER, a resident of Utah (the "Executive").

RECITALS

A. The Company desires to retain the services of the Executive, presently an employee of the Company in the capacity of Vice President and Chief Financial Officer, and the Executive desires to render such services, upon the terms and conditions contained herein.

B. The Board of Directors of the Company (the "Board"), by appropriate resolutions, authorized the employment of the Executive as provided for in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants contained herein, the above recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DUTIES

1.01 Duties. The Company hereby employs the Executive, and the Executive

hereby accepts employment, as the Company's Vice President and Chief Financial Officer upon the terms and conditions contained herein. The Executive shall exercise the authority and assume the responsibilities: (i) specified in the Company's Bylaws; (ii) of a Vice President and Chief Financial Officer of a corporation of the size and nature of the Company; and (iii) prescribed by the Board from time to time.

1.02 Other Business. During the Contract Term, and excluding any periods

of vacation, sick leave or disability to which the Executive is entitled, the Executive agrees to devote his full attention and time to the business and affairs of the Company and, to the extent necessary to discharge the duties assigned to the Executive hereunder, to use his best efforts to perform faithfully and efficiently such duties. Notwithstanding the foregoing, but in each case subject to (i) the advance approval of the Chairman of the Board, and (ii) the provisions of Article VI hereof, the Executive shall be entitled to serve on the board of directors of up to two (2) publicly held companies other than the Company and up to two (2) privately held companies. Notwithstanding the foregoing, Executive shall be allowed to handle his personal business affairs, including the management of personal investments, so long as such activities do not interfere with the performance of his duties hereunder or otherwise conflict with the terms and conditions of this Agreement.

ARTICLE II

TERM OF AGREEMENT

The term of this Agreement shall commence on the Effective Date and shall terminate at 11:59 p.m. Mountain Time on May 31, 2000 (the "Contract Term") unless sooner terminated hereunder.

ARTICLE III

COMPENSATION

During the Contract Term, the Company shall pay, or cause to be paid to the

Executive in cash in accordance with the normal payroll practices of the Company for senior executive officers (including deductions, withholdings and collections as required by law), the following:

3.01 Annual Base Salary. In installments not less frequently than

monthly, an annual base salary ("Annual Base Salary") of: (i) one hundred forty thousand dollars (\$140,000) for the period commencing on the Effective Date and ending on May 31, 1998, (ii) one hundred forty-five thousand dollars (\$145,000) for the period commencing on June 1, 1998 and ending on May 31, 1999; and (iii) one hundred fifty thousand dollars (\$150,000) for the period commencing on June 1, 1999 and ending on May 31, 2000; and

3.02 Annual Bonus. The Compensation Committee of the Board will adopt and

recommend to the Board a cash bonus program for executive officers of the Company beginning in the year 1998 ("Annual Cash Bonus"). At such time as the Annual Cash Bonus plan is adopted by the Board, Executive shall be entitled to participate in the plan and receive the Annual Cash Bonus, subject to the terms and conditions of such plan.

ARTICLE IV

OTHER BENEFITS

4.01 Incentive Savings and Retirement Plans. The Executive shall be

entitled to participate, during the Contract Term, in all incentive (including annual and long-term incentives), savings and retirement plans, practices, policies and programs available to other senior executives of the Company.

4.02 Welfare Benefits. Immediately upon the Effective Date and throughout

the Contract Term, the Executive and/or the Executive's family, as the case may be, shall be entitled to participate in, and shall receive all benefits under, all welfare benefit plans, practices, policies and programs provided by the Company (including without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, dependent life, accidental death and travel accident insurance plans and programs) at a level that is equal to other senior executives of the Company.

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4.03 Automobile. Executive shall have the use of a Company car or receipt

of an automobile allowance pursuant to an existing policy or a successor policy established by the Compensation Committee (or the Board, as the case may be).

4.04 Expenses. During the Contract Term, the Executive shall be entitled

to receive prompt reimbursement for all reasonable employment-related expenses which are tax deductible by the Company as business expenses and incurred by the Executive. The Executive shall be reimbursed upon the Company's receipt of accountings in accordance with practices, policies and procedures applicable to senior executives of the Company.

4.05 Office and Support Staff. During the Contract Term, the Executive

shall be entitled to use of an office, furnishings, other appointments, personal secretarial assistance and other assistance, commensurate with the position of Vice President and Chief Financial Officer of the Company, all of which shall be adequate for the performance of the Executive's duties.

4.06 Vacation. The Executive shall be entitled to participate on the same

terms as his peer executives in the Company in the vacation policy established for executive officers of the Company by the Executive Committee/Compensation Committee of the Board.

4.07 Stock Options. The Executive has been granted certain options (the

"Options") to purchase an aggregate of eighty thousand (80,000) shares of the Company's common voting stock, no par value per share (the "Common Stock"), at an exercise price per share of \$15.66. The Options are the subject of written option agreements between the Company and Executive and have been granted subject to the terms of the Company's 1996 Long-Term Incentive and Stock Investment Plan or any successor plan thereto (the "Stock Plan"). A copy of the Stock Plan has been delivered to the Executive prior to the Effective Date.

ARTICLE V

RESTRICTIVE COVENANTS

5.01 Trade Secrets, Confidential and Proprietary Business Information.

(a) The Company has advised the Executive and the Executive has acknowledged that it is the policy of the Company to maintain as secret and confidential all Protected Information (as defined below), and that Protected Information has been and will be developed at substantial cost and effort to the Company. "Protected Information" means trade secrets, confidential and proprietary business information of the Company, any information of the Company other than information which has entered the public domain (unless such information entered the public domain through effects of or on account of the Executive), and all valuable and unique information and techniques acquired, developed or used by the Company relating to its business, operations, employees, distributors, products, customers and suppliers, which give the Company a competitive advantage over those who do not know the information and techniques and which are protected by the Company from unauthorized disclosure, including but not limited to, distributor or key customer lists (including potential distributors or key customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services which may be developed from time to time by the Company and its agent or employees.

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(b) The Executive acknowledges that the Executive will acquire Protected Information with respect to the Company and its successors in interest, which information is a valuable, special and unique asset of the Company's business and operations and that disclosure of such Protected Information may cause irreparable damage to the Company.

(c) Either during or after termination of employment by the Company, the Executive shall not, directly or indirectly, divulge, furnish or make accessible to any person, firm, corporation, association or other entity (otherwise than as may be required in the regular course of the Executive's employment) nor use in any manner, any Protected Information, or cause any such information of the Company to enter the public domain except through the discharge of his duties under this Agreement, or as may be required by law.

5.02 Non-Competition

(a) The Executive agrees that the Executive shall not during the Executive's employment with the Company and during the Restrictive Period (defined below) after the termination of this Agreement, directly or indirectly, in any capacity, engage or participate in, or become employed by or render advisory or consulting or other services in connection with any Prohibited Business as defined in Section 5.02(c). For purposes of this Agreement, the "Restrictive Period" shall mean a period of (i) one (1) year, if termination of Executive's employment hereunder is without cause (as defined in Section 6.02, below), or (ii) two (2) years following termination of Executive's employment by the Company for cause or by voluntary action of Executive.

(b) The Executive agrees that the Executive shall not during the Executive's employment with the Company and during the Restrictive Period after termination of Executive's employment under this Agreement, make any financial investment, whether in the form of equity or debt, or own any interest, directly or indirectly, in any Prohibited Business. Nothing in this Section 5.02(b) shall, however, restrict the Executive from making any investment in any company whose stock is listed on a national securities exchange; provided that (i) such

investment does not give the Executive the right or ability to control or influence the policy decisions of any Prohibited Business by contract or otherwise; (ii) the Executive's beneficial ownership (as defined by Securities and Exchange Commission regulations) in such entity does not exceed 5% of any class of the issued and outstanding voting securities or otherwise subject Executive, either individually or as a member of an affiliated group, to the reporting obligations of Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended, and applicable rules and regulations thereunder, and (iii) such investment does not create a conflict of interest between the Executive's duties hereunder and the Executive's interest in such investment.

(c) For purposes of this Section 5.02, "Prohibited Business" shall be defined as any business and any branch, office or operation thereof, which is a competitor of the Company.

5.03 Non-Solicitation. From the date hereof until the end of the

Restrictive Period, the Executive shall not, directly or indirectly (a) encourage any employee or supplier of the Company or its successors in interest to leave his or her employment with the Company or its successors in interest, (b) employ, hire, solicit or cause to be employed, hired or solicited (other than by the Company or its successors in interest), or encourage others to employ or hire any person who within two (2) years prior thereto was employed by the Company or its successors in interest, or

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(c) establish a business with, or encourage others to establish a business with, any person who within two (2) years prior thereto was an employee or supplier of the Company or its successors in interest.

5.04 Survival of Undertakings and Injunctive Relief.

(a) The provisions of Sections 5.01, 5.02 and 5.03 shall survive the termination of the Executive's employment with the Company irrespective of the reasons therefor.

(b) The Executive acknowledges and agrees that the restrictions imposed upon the Executive by Sections 5.01, 5.02 and 5.03 and the purpose of such restrictions are reasonable and are designed to protect the Protected Information and the continued success of the Company without unduly restricting the Executive's future employment by others. Furthermore, the Executive acknowledges that, in view of the Protected Information which the Executive has or will acquire or has or will have access to and in view of the necessity of the restrictions contained in Sections 5.01, 5.02 and 5.03, any violation of any provision of Sections 5.01, 5.02 and 5.03 hereof would cause irreparable injury to the Company and its successors in interest with respect to the resulting disruption in their operations. By reason of the foregoing the Executive consents and agrees that if the Executive violates any of the provisions of Sections 5.01, 5.02, or 5.03 of this Agreement, the Company and its successors in interest as the case may be, shall be entitled, in addition to any other remedies that they may have, including money damages, to an injunction to be issued by a court of competent jurisdiction, restraining the Executive from committing or continuing any violation of such Sections of this Agreement.

ARTICLE VI

TERMINATION

6.01 Termination of Employment. The Executive's employment may be terminated at any time during the Contract Term by mutual agreement of the parties, or as otherwise provided in this Article.

6.02 Termination for Cause. The Company may terminate the Executive's employment for Cause by giving the Executive seven (7) days prior written notice of such termination. For purposes of this Agreement, "Cause" for termination shall mean

(i) the willful failure or refusal to carry out the reasonable directions of the Board, which directions are consistent with the Executive's duties as set forth under this Agreement, other than a failure resulting from the Executive's complete or partial incapacity due to physical or mental illness or impairment;

(ii) a conviction for a violation of a state or federal criminal law involving the commission of a felony;

(iii) a willful act by the Executive that constitutes gross negligence in the performance of the Executive's duties under this Agreement and which materially injures the Company;

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(iv) a material breach of the terms of this Agreement, which breach has not been cured by the Executive within fifteen (15) days of written notice of said breach by the Company;

(v) unethical business practices in connection with the Company's business; or

(vi) habitual use of alcohol or drugs.

Upon termination for Cause, the Executive shall not be entitled to payment of any compensation other than salary and benefits under this Agreement earned up to the date of such termination and any stock options, warrants or similar rights which have vested prior to the date of such termination.

6.03 Termination Without Cause. This Agreement may be terminated by

either party at any time without cause. If Executive shall voluntarily terminate his employment for any reason, then upon such voluntary termination, Executive shall not be entitled to payment of any compensation other than salary and benefits under this Agreement earned up to the date of such termination and any stock options, warrants or similar rights which have vested prior to the date of such termination. Should the Executive's employment be terminated by the Company for a reason other than as specifically set forth in Sections 6.01 and 6.02 or Article V above:

(i) all of the Options and other stock options, warrants and other similar rights, if any, granted by the Company to the Executive which are vested at the date of termination shall remain vested;

(ii) all Welfare Benefits described in Section 4.02, above, provided to the Executive and/or the Executive's family prior to such termination shall be continued for the relevant period specified in the table in 6.03(iii), below; and

(iii) the Company shall continue to pay the Executive his Annual Base Salary, in accordance with the Company's normal practices for other senior executives, for the period specified in the table below:

Termination Period	Number of Months
6/1/97 - 5/31/98	24
6/1/98 - 5/31/99	18
6/1/99 - 5/31/00	12

ARTICLE VII

MISCELLANEOUS

7.01 Assignment, Successors. This Agreement may not be assigned by either

party hereto without the prior written consent of the other party. This Agreement shall be binding upon

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and inure to the benefit of the Executive and the Executive's estate and the Company and any assignee of or successor to the Company.

7.02 Beneficiary. If the Executive dies prior to receiving all any

amounts due to be paid to Executive hereunder prior to the date of death, such amounts shall be paid in a lump sum payment to the beneficiary designated in writing by the Executive ("Beneficiary") and if no such Beneficiary is designated, to the Trustee under the Amended and Restated Gilbert A. Fuller Revocable Trust Agreement dated July 20, 1995.

7.03 Nonalienation of Benefits. Benefits payable under this Agreement

shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, prior to actually being received by the Executive, and any such attempt to dispose of any right to benefits payable hereunder shall be void.

7.04 Severability. If all or any part of this Agreement is declared by

any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Agreement not declared to be unlawful or invalid. Any paragraph or part of a paragraph so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such paragraph or part of a paragraph to the fullest extent possible while remaining lawful and valid.

7.05 Amendment and Waiver. This Agreement shall not be altered, amended

or modified except by written instrument executed by the Company and the Executive. A waiver of any term, covenant, agreement or condition contained in this Agreement shall not be deemed a waiver of any other term, covenant, agreement or condition and any waiver of any other term, covenant, agreement or condition, and any waiver of any default in any such term, covenant, agreement or condition shall not be deemed a waiver of any later default thereof or of any other term, covenant, agreement or condition.

7.06 Notices. All notices and other communications hereunder shall be in

writing and delivered by hand or by first class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company: USANA, INC.
Attention: Dr. Myron Wentz
3838 West Parkway Boulevard
Salt Lake City, Utah 84120

With a copy to: DURHAM, EVANS, JONES & PINEGAR
Attn: Kevin R. Pinegar, Esq.
50 South Main Street, Suite 850
Salt Lake City, Utah 84144

If to the Executive: GILBERT A. FULLER
55 Wanderwood Way
Sandy, Utah 84092

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With a copy to: Craig T. Vincent, Esq.
Nygaard, Coke & Vincent
333 North 300 West
Salt Lake City, Utah 84103

Either party may from time to time designate a new address by notice given in accordance with this Section. Notice and communications shall be effective when

actually received by the addressee.

7.07 Counterpart Originals. This Agreement may be executed in

counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

7.08 Entire Agreement. This Agreement forms the entire agreement between

the parties hereto with respect to any severance payment and with respect to the subject matter contained in the Agreement.

7.09 Applicable Law. The provisions of this Agreement shall be interpreted

and construed in accordance with the laws of the state of Utah, without regard to its choice of law principles.

7.10 Effect on Other Agreements. This Agreement shall supersede all prior

agreements, promises and representations regarding employment by the Company and severance or other payments contingent upon termination of employment. Notwithstanding the foregoing, the Executive shall be entitled to any other severance plan applicable to other senior executives of the Company.

7.11 Extension or Renegotiation. The parties hereto agree that at any

time prior to the expiration of this Agreement, they may extend or renegotiate this Agreement upon mutually agreeable terms and conditions.

IN WITNESS WHEREOF the parties have executed this Employment Agreement on the date first written above.

USANA, INC., a Utah corporation

By: /s/ Myron Wentz

Name: Myron Wentz

Title: President

GILBERT A. FULLER, an individual

/s/ Gilbert A. Fuller

GILBERT A. FULLER

[LOGO OF USANA APPEARS HERE]

a Utah corporation

Amended and Restated
Long-Term Stock Investment and Incentive Plan

USANA, Inc. (the "Company" or "USANA") previously adopted its 1995 Long-Term Stock Investment and Incentive Plan (the "1995 Plan") and the 1995 Directors' Stock Option Plan ("Directors' Plan"), collectively referred to herein as the "Prior Plans." The Company has issued options under each of these plans, but desires now to combine the Prior Plans into one integrated stock option plan. The currently outstanding option grants will not be altered and will continue in full force and effect in accordance with their terms. The "plan" referred to in such agreements, however, will be this Amended and Restated Long-Term Stock Investment and Incentive Plan (the "Plan" or the "Amended and Restated Plan").

ARTICLE I.
GENERAL

- 1.1 Purpose. This Plan has been established to: (i) attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) identify the interests of Participants with Company performance, as reflected in increased shareholder value.
- 1.2 Eligibility for Participation. Subject to the terms and conditions of the Plan, the Committee will determine and designate, from time to time, from among the Eligible Individuals, those persons who will be granted Awards under the Plan and thereby become "Participants" in the Plan. In making this selection and in determining the persons to whom awards under the Plan shall be granted and the form and amount of awards under the Plan, the Committee shall consider any factors deemed relevant in connection with accomplishing the purposes of the Plan, including the duties of the respective persons and the value of their present and potential services and contributions to the success, profitability and sound growth of the Company. Awards may be granted as alternatives to or replacement of awards outstanding under the Plan or any other plan or arrangement of the Company or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Related Company).
- 1.3 Administration (General). The operation and administration of the Plan, including Awards made under the Plan, shall be subject to the provisions of Article 2, below, relating to

Operation and Administration. Capitalized terms in the Plan will be defined as set forth herein, including the definition provisions contained in Article 5, below.

ARTICLE II
OPERATION AND ADMINISTRATION

- 2.1 Effective Date and Term of Plan. The Plan shall become effective as of the 23rd day of June 1998 (the "Effective Date"), the date the Plan is adopted by a majority of the Board and approved by vote of a majority of the issued and outstanding shares of the Company's Common Stock at the 1998 Annual Meeting of Shareholders. To the extent Awards are made under the Plan prior to its approval by shareholders (but only if they were not made pursuant to one of the predecessor plans described above), they shall be contingent on approval of the Plan by the shareholders of the Company. The Plan will be unlimited in duration and, in the event of termination of the Plan, shall remain in effect as long as any Awards under it are outstanding; provided, however, that, to the extent required by the Code, no Incentive Stock Options may be granted under the Plan on a date that is more than ten years from the date the Plan is adopted or, if earlier, the date the Plan is approved by the shareholders.

2.2 Aggregate Limitation on Awards.

- (a) Shares Subject to Plan. Except as may be adjusted pursuant to Section 2.2(c) and Article VI, below, shares of stock which may be issued under Awards granted under the Plan shall be authorized and unissued or treasury shares of Common Stock of the Company ("Common Stock"). The number of shares of Common Stock the Company shall reserve for issuance hereunder, and the maximum number of shares of Common Stock which may be issued under the Plan, shall not exceed in the aggregate 1,500,000 shares of Common Stock, including (i) any shares of Common Stock available for future awards under the Prior Plans as of the Effective Date; and (ii) any shares represented by awards previously granted under the Prior Plans.
- (b) Determination of Maximum. For purposes of calculating the maximum number of shares of Common Stock which may be issued under the Plan:

- (i) Any shares that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. To the extent any shares of Common Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is canceled or forfeited, or the shares are not delivered because the Award is settled in cash, such shares shall not be deemed to have been

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delivered for purposes of determining the maximum number of shares available for delivery under the Plan.

- (ii) If the Exercise Price of any Option granted under the Plan or any Prior Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares issued net of the shares tendered will be deemed delivered for purposes of determining the maximum number of shares available for delivery under the Plan.
- (iii) Shares delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of shares available for delivery under the Plan, to the extent that such settlement, assumption or substitution as a result of the Company or a Related Company acquiring another entity (or an interest in another entity).
- (iv) All shares issued (including the shares, if any, withheld for tax withholding requirements) as Stock Bonuses shall be counted.
- (c) Certain Adjustments. In the event of a corporate transaction involving the Company (including, without limitation, any change in the outstanding Common Stock of the Company by reason of a stock dividend or distribution, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares or the like), the Committee may appropriately adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include adjustment of (i) the number and kind of shares which may be delivered under the Plan, (ii) the number and kind of shares subject to Awards theretofore granted under the Plan, (iii) the Exercise Price of Options and SARs theretofore granted under the Plan; and (iv) any and all other adjustments that the Committee may determine to be appropriate and equitable.
- (d) Limit on Distribution. Distribution of shares of Common Stock under the Plan will be subject to the following:
- (i) Notwithstanding any other provision of the Plan, the Company will have no liability to deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with

all applicable laws (including, without limitation, the requirements of the Securities Act of 1933, as amended), and the applicable requirements of any securities exchange or similar entity.

- (ii) To the extent the Plan provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a non-

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certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

- (e) Tax Withholding. Whenever the Company proposes or is required to issue or deliver shares of Common Stock under the Plan, the Company may, to the extent permitted or required by law, require the recipient, as a condition of delivery of the Common Stock, to remit to the Company or make arrangements satisfactory to the Committee regarding payment of, any amount sufficient to satisfy any Federal, state and/or local taxes of any kind, including, but not limited to, withholding tax requirements prior to the delivery of any certificate or certificates for such shares. If the recipient fails to pay the amount required by the Committee, the Company shall have the right to withhold such amount from other amounts payable by the Company to the participant, including but not limited to, salary, fees or benefits, subject to applicable law. Alternatively, the Company may withhold from the shares to be delivered such shares of Common Stock sufficient to satisfy all or a portion of the taxes, including, but not limited to, the withholding tax requirements. For withholding tax purposes, the shares of Common Stock withheld shall be valued on the date the withholding obligation is incurred.
- (f) Payment Shares. Subject to the overall limitation on the number of shares that may be delivered under the Plan, the Committee may use available shares of Common Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Related Company, including the plans and arrangements of the Company or a Related Company acquiring another entity (or an interest in another entity).
- (g) Dividends and Dividend Equivalents. An Award may provide the recipient with the right to receive dividends or dividend equivalent payments with respect to Common Stock which may be either paid currently or credited to an account for the Participant, and may be settled in cash or Common Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Common Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.
- (h) Payments. Awards may be settled through cash payments, delivery of shares of Common Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions, contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Common Stock equivalents.

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- (i) Transferability. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution.
- (j) Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other

person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

- (k) **Agreement With the Company.** At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (the "Agreement") in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.
- (l) **Limitation of Implied Rights.** Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Common Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Related Company. Nothing contained herein shall constitute a guarantee that the assets of such companies will be sufficient to pay any benefits to any person. A Participant shall have no rights as a shareholder with respect to any Award under the Plan unless and until certificates for shares of Common Stock are issued to him or her following satisfaction of all conditions for receipt of such shares. Nothing herein shall constitute a contract of employment, and selection of a Participant will not give any person the right to be retained in the employ or service of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.
- (m) **Gender and Number.** Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.
- (n) **Evidence.** Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

2.3 Administration.

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- (a) The Board of Directors of USANA (the "Board") shall appoint a Committee consisting of two or more directors to administer the Plan (the "Committee"). Any Committee member shall also be a member of the Board. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase or change the size of the Committee, and appoint new members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, or remove all members of the Committee.
- (b) The Committee shall have the authority without limitation, in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to manage and control the operation and administration of the Plan, including the authority to:
 - (i) administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan;
 - (ii) designate the employees or classes of employees eligible to participate in the Plan;
 - (iii) grant Awards provided in the Plan in such form, amount and under such terms as the Committee shall determine;

- (iv) determine the purchase price of shares of Common Stock covered by each Award;
- (v) determine the Fair Market Value of Common Stock for purposes of Options or of determining the appreciation of Common Stock with respect to Stock Appreciation Rights;
- (vi) determine the time or times at which Options and/or Stock Appreciation Rights shall be granted;
- (vii) determine the terms and provisions of the various agreements (none of which need be identical or uniform) evidencing Awards granted under the Plan and to impose such limitations, restrictions and conditions upon any such Award as the Committee shall deem appropriate; and
- (viii) interpret the Plan, adopt, amend and rescind rules and regulations relating to the Plan, and make all other determinations and take all other action necessary or advisable for the implementation and administration of the Plan.

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- (c) The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any delegate may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan.
- (d) All decisions, determinations and interpretations of the Committee on all matters relating to the Plan shall be in its sole discretion and shall be final, binding and conclusive on all Participants and the Company.
- (e) One member of the Committee shall be elected by the Board as Committee Chairman. The Committee shall hold its meetings at such times and places as it shall deem advisable. All determinations of the Committee shall be made by a majority of its members either present in person or participating by conference telephone at a meeting or by written consent. The Committee may appoint a secretary and make such rules and regulations for the conduct of its business as it shall deem advisable, and shall keep minutes of its meetings.
- (f) No member of the Board or Committee shall be liable for any action taken or decision or determination made in good faith with respect to any Award or the Plan.

ARTICLE III STOCK OPTIONS AND SARs

3.1 Definitions of Stock Options and SARs.

- (a) Options. An Option entitles the Participant to purchase shares of the Company's Common Stock at an Exercise Price established by the Committee. Options may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee. Incentive Stock Options are Options that are intended to satisfy the requirements applicable to "incentive stock options" described in (S)422(b) of the Code. Non-Qualified Stock Options are options that are not intended to be incentive stock options as defined in (S)422(b) of the Code.
- (b) SARs. A stock appreciation right (SAR) entitles the Participant to receive, in cash or shares of Common Stock (as determined in accordance with Section 3.5, below, value equal to all or a portion of the excess of: (i) the Fair Market Value of a specified number of shares of Common Stock at the time of exercise, over (ii) an Exercise Price established by the Committee.

3.2 Exercise Price. The Exercise Price of each Option and SAR granted under this section of the Plan shall be established by the Committee or determined by a method established by the Committee at the time the Option or the SAR is granted; except that the Exercise Price shall not be less

than 100% of the Fair Market Value of a share of Common Stock as of the day

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the Option or SAR is granted (the "Pricing Date"), except that the Committee may provide that: (i) the Pricing Date is the date on which the recipient is hired or promoted (or similar event) if the grant of the Option or SAR occurs not more than 90 days after the date of such hiring, promotion or other event; and (ii) if an Option or SAR is granted in tandem with, or in substitution for, an outstanding award, the Pricing Date may be the date of grant of such outstanding Award.

3.3 Term and Exercise. Each Stock Option and SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee. Unless the agreement by which the Award is granted specifies to the contrary, however, the following shall apply to Awards made to employees of the Company or a Related Company:

(a) No Option may be exercised by an employee Participant: (i) prior to the date on which the Participant completes one continuous year of employment with the Company or any Related Company after the date as of which the Option is granted (provided, however, that the Committee may permit earlier exercise following the Participant's Date of Termination by reason of death or Disability); or (ii) after the Expiration Date applicable to that Option;

(b) Expiration Date. The "Expiration Date" with respect to an Option means the date established as the Expiration Date by the Committee at the time of the grant; provided, however, that the Expiration Date with respect to any Option shall not be later than the earliest to occur of:

(i) the ten-year anniversary date on which the Option is granted;

(ii) if the Participant's Date of Termination occurs by reason of death or Disability, the one-year anniversary of such Date of Termination;

(iii) if the Participant's Date of Termination occurs by reason of Retirement, the three-year anniversary of such Date of Termination; or

(iv) if the Participant's Date of Termination occurs for reasons other than Retirement, death or Disability, the 90-day anniversary of such Date of Termination.

(c) For purposes of the foregoing subsections only: (i) "Retirement" of a Participant shall mean the occurrence of the Participant's Date of Termination after completing at least five years of service with the Company or a Related Company and attaining age 65; and (ii) "Disability" shall mean a person's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than six months.

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(d) Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Participant the right to continue in the employment of the Company or a Related Company or otherwise affect any right which the Company may have to terminate the employment of such Participant.

3.4 Manner of Payment of Option Exercise Price. The payment of the Exercise Price of an Option granted hereunder shall be subject to the following:

(a) Subject to the following provisions of this Section 3.4, the full Exercise Price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in 3.4(c), below, payment may be made as soon as practicable

after the exercise).

(b) The Exercise Price shall be payable in cash or by tendering shares of Common Stock (by either actual delivery of shares or by attestation, with such shares valued at Fair Market Value as of the date of exercise), or in any combination thereof, as determined by the Committee.

(c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

3.5 Settlement of Award. Distribution following exercise of an Option or SAR, and shares of Common Stock distributed pursuant to such exercise, shall be subject to such conditions, restrictions and contingencies as the Committee may establish. Settlement of SARs may be made in shares of Common Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Common Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.

3.6 Authorization of Reload Options. Concurrently with the award of Options under the Plan, the Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, authorize reload options to purchase for cash or for Company shares a number of shares of Common Stock allotted by the Committee ("Reload Options"). The number of Reload Options shall equal (i) the number of shares of Common Stock used to exercise the underlying Options and (ii) to the extent authorized by the Committee, the number of shares of Common Stock used to satisfy any tax withholding requirement incident to the exercise of the underlying Options. The grant of a Reload Option will become effective upon the exercise of underlying Options or other Reload Options

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through the use of shares of Common Stock held by the Participant for at least 12 months. Notwithstanding the fact that the underlying Option may be an Incentive Stock Option, a Reload Option is not intended to qualify as an "incentive stock option" under (S)422 of the Code. Each stock option agreement shall state whether the Committee has authorized Reload Options with respect to the underlying Options. Upon the exercise of an underlying Option or other Reload Option, the Reload Option will be evidenced by an amendment to the underlying agreement. The Exercise Price of a Reload Option shall be the Fair Market Value of a share of Common Stock on the date the grant of the Reload Option becomes effective, unless the Committee shall determine, in its sole discretion, that there are circumstances which reasonably justify the establishment of a lower Option Price. The term of a Reload Option will terminate with the termination or expiration of the underlying Option.

3.7 Other Stock Awards. The Committee may from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to a Participant as compensation the number of shares of Common Stock allotted by the Committee ("Stock Bonuses"). Stock awarded as a Stock Bonus shall be subject to the terms, conditions and restrictions determined by the Committee at the time of the award. The Committee may require the recipient to sign an agreement as a condition of the award. The agreement may contain such terms, conditions, representations, and warranties as the Committee may require.

ARTICLE IV AMENDMENT AND TERMINATION

The Board of Directors may, at any time, without further action by the shareholders and without receiving further consideration from the participants, amend this Plan or condition or modify awards under this Plan in response to changes in securities, tax or other laws or rules, regulations or regulatory

interpretations thereof applicable to this Plan or to comply with stock exchange rules or requirements. Without shareholder approval the Committee may not increase the maximum number of shares of Common Stock which may be issued under the Plan (other than increases pursuant to adjustments required by certain business combinations, stock splits or similar transactions). The termination or any modification or amendment of the Plan, except as provided in the first sentence of this Article, shall not without the consent of a Participant, affect his other rights under an award previously granted to him or her. Each Award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or Federal law, or (ii) the consent or approval of any government regulatory body, or (iii) an agreement by the Participant with respect to the disposition of shares of Common Stock, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the issue or purchase of shares of Common Stock thereunder, such Award may not be exercised or consummated in whole or in part unless and until such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

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ARTICLE V DEFINED TERMS

As used in this Plan, the words and phrases listed below shall be defined as follows:

- (a) Award means any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, SARs and Stock Awards.
- (b) Board means the Board of Directors of the Company.
- (c) Code means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.
- (d) Eligible Individual means any director, key executive, management employee, employee, or consultant of the Company or a Related Company.
- (e) Fair Market Value per share in respect of any share of Common Stock as of any particular date means (i) the closing sales price per share of Common Stock reflected on a national securities exchange for the last preceding date on which there was a sale of such Common Stock on such exchange; or (ii) if the shares of Common Stock are then traded on an over-the-counter market, the average of the closing bid and asked prices for the shares of Common Stock in such over-the-counter market for the last preceding date on which there was a sale of such Common Stock in such market; or (iii) in case no reported sale takes place, the average of the closing bid and asked prices on the National Association of Securities Dealers' Automated Quotation System ("Nasdaq") or any comparable system, or if the shares of Common Stock are not listed on Nasdaq or comparable system, the closing sale price or, in case no reported sale takes place, the average of the closing bid and asked prices, as furnished by any member of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose; or (iv) if the shares of Common Stock are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Committee in its discretion may determine in any such other manner as the Committee may deem appropriate. In no event shall the Fair Market Value of any share of Common Stock be less than its par value. In the case of Incentive Stock Options, the Fair Market Value shall not be discounted for restrictions, lack of marketability and other such limitations on the enjoyment of the Common Stock. In the case of other type of Options, the Fair Market Value of the Common Stock shall be so discounted.
- (f) Option means any Non-Qualified Stock Option, Incentive Stock Option or Reload Option.

(g) Related Company means any company during any period in which it is a "parent company" as that term is defined in Code (S)422(e) with respect to the Company, or a "subsidiary corporation" as that term is defined in Code (S)422(f) with respect to the Company.

(h) Common Stock means the common stock of the Company, no par value.

ARTICLE VI GENERAL TERMS AND CONDITIONS

Unless otherwise stated herein and in the agreement by which an Award is granted, the following shall apply to all Awards granted hereunder.

6.1 Non-transferability. Awards granted under the Plan shall not be transferable other than (i) by will; (ii) by the laws of descent and distribution; or (iii) to a revocable inter vivos trust for the primary benefit of the Participant and his or her spouse. Awards may be exercised during the lifetime of the Participant only by the Participant, his or her guardian, legal representative or the Trustee of an above described trust. Except as permitted by the preceding sentences, no Award granted under the Plan or any of the rights and privileges thereby conferred shall be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise), and no such Award, right, or privilege shall be subject to execution, attachment, or similar process. Upon any attempt so to transfer, assign, pledge, hypothecate, or otherwise dispose of the Option, or of any right or privilege conferred thereby, contrary to the provisions of this Plan, or upon the levy of any attachment or similar process upon such Award, right, or privilege, the Award and such rights and privileges shall immediately become null and void.

6.2 Effect of Certain Changes.

(a) If there is any change in the number of shares of Common Stock through the declaration of stock dividends, or through recapitalization resulting in stock splits, or combinations or exchanges of such shares, the number of shares of Common Stock available for awards under the Plan, the number of such shares covered by outstanding Awards and the Exercise Price of such Awards shall be proportionately adjusted by the Committee to reflect any increase or decrease in the number of issued shares of Common Stock; provided, however, that any fractional shares resulting from such adjustment shall be eliminated.

(b) In the event of the proposed dissolution or liquidation of the Company, in the event of any corporate separation or division, including, but not limited to split-up, split-off or spin-off, or in the event of a merger, consolidation or other reorganization of the Corporation with another corporation, the Committee may provide that the holder of each Award then exercisable shall have the right to exercise such Award (at its then

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Exercise Price) solely for the kind and amount of shares of stock and other securities, property, cash or any combination thereof receivable upon such dissolution, liquidation, or corporate separation or division, or merger, consolidation or other reorganization by a holder of the number of shares of Common Stock for which such Award might have been exercised immediately prior to such dissolution, liquidation, or corporate separation or division, or merger, consolidation or other reorganization; or the Committee may provide, in the alternative, that each Award granted under the Plan shall terminate as of a date to be fixed by the Committee; provided, however, that not less than 90-days' written notice of the date so fixed shall be given to each Participant, who shall have the right, during the period of 90 days preceding such termination, to exercise the Awards as to all or any part of the shares of Common Stock covered thereby, including shares as to which such Awards would not otherwise be exercisable; provided, further, that failure to provide such notice shall not invalidate or affect the action with respect to which such notice was required.

(c) If while unexercised Awards remain outstanding under the Plan, the stockholders of the Corporation approve a definitive agreement to

merge, consolidate or otherwise reorganize the Company with or into another corporation or to sell or otherwise dispose of all or substantially all of its assets, or adopt a plan of liquidation (each, a "Disposition Transaction"), then the Committee may: (i) make an appropriate adjustment to the number and class of shares available for awards under the Plan and to the amount and kind of shares or other securities or property (including cash) receivable upon exercise of any outstanding Awards after the effective date of such transaction, and the price thereof, or, in lieu of such adjustment, provide for the cancellation of all Awards outstanding at or prior to the effective date of such transaction; (ii) provide that exercisability of all Awards shall be accelerated, whether or not otherwise exercisable; or (iii) in its discretion, permit Participants to surrender outstanding Awards for cancellation. Upon any cancellation of an outstanding Award pursuant to this section, the Participant shall be entitled to receive, in exchange therefor, a cash payment under any such Award in an amount per share determined by the Committee in its sole discretion, but not less than the difference between the per share exercise price of such Award and the Fair Market Value of a share of Company Common Stock on such date as the Committee shall determine.

- (d) Paragraphs (b) and (c) of this Section shall not apply to a merger, consolidation or other reorganization in which the Company is the surviving corporation and shares of Common Stock are not converted into or exchanged for stock, securities of any other corporation, cash or any other thing of value. Notwithstanding the preceding sentence, in case of any consolidation, merger or other reorganization of another corporation into the Company in which the Company is the surviving corporation and in which there is a reclassification or change (including a change to the right to receive cash or other property) of the shares of Common Stock (other than a change in par value, or from par value to no par value, or as a result of a subdivision or

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combination, but including any change in such shares into two or more classes or series of shares), the Committee may provide that the holder of each Award then exercisable shall have the right to exercise such Award solely for the kind and amount of shares of stock and other securities (including those of any new direct or indirect parent of the Company), property, cash or any combination thereof receivable upon such reclassification, change, consolidation or merger by the holder of the number of shares of Common Stock for which such Award might have been exercised.

- (e) In the event of a change in the Common Stock of the Company as presently constituted which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of the Plan.
- (f) To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive, provided that each Incentive Stock Option granted pursuant to this Plan shall not be adjusted in a manner that causes such option to fail to continue to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code.
- (g) Except as hereinbefore expressly provided in this Section, the Participant shall have no rights by reason of any subdivision or consolidation of shares of stock or any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, consolidation or other reorganization or spin-off of assets or stock of another corporation; and any issue by the Company of shares of stock of any class shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to the Award. The grant of an Award pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications,

reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets.

6.3 Rights as a Shareholder. A Participant shall have no right as a shareholder with respect to any shares covered by an Award until the date of the issuance of a certificate evidencing shares purchased pursuant to and in accordance with such Award. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 6.2 hereof.

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6.4 Other Provisions. Any agreement evidencing an Award under the Plan shall contain such other provisions, including, without limitation, (i) the imposition of restrictions upon the exercise of an Award; (ii) in the case of an Incentive Stock Option, the inclusion of any condition not inconsistent with such Option qualifying as an Incentive Stock Option; and (iii) conditions relating to compliance with applicable federal and state securities laws, as the Committee shall deem advisable.

6.5 Non-Uniform Determinations. The Committee's determinations under the Plan (including without limitation determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

6.6 Fractional Shares. Fractional shares shall not be granted under any Award under this Plan, unless the provision of the Plan which authorizes such Award also specifies the terms under which fractional shares or interests may be granted.

ADOPTED BY RESOLUTION OF THE BOARD OF DIRECTORS, EFFECTIVE THE 23/RD/ DAY OF JUNE 1998.

_____, Secretary

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Exhibit 21. Subsidiaries of the Registrant

USANA, Inc. has the following wholly owned subsidiaries as of June 27, 1998:

USANA Canada, Inc., an Ontario (Canada) corporation.

USANA Trading Co., Inc., a Barbados corporation

USANA Australia Pty Ltd, an Australian corporation

USANA New Zealand Limited, a New Zealand corporation

USANA Hong Kong, Inc., a Hong Kong corporation

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