

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB/A
AMENDMENT NO. 2

Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1996.

Transition report under 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 small business issuer as specified in its charter)

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

4550 South Main Street
Salt Lake City, Utah 84107
(Address of principal executive offices)

(801) 288-2290
(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or Section 15(d) of the Exchange Act during the past 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 or No

The number of shares outstanding of the Company's common stock, no par value, as of April 30, 1996 was 6,280,119.

Transitional Small Business Disclosure Format
(Check one) Yes No

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

The interim (unaudited) consolidated financial statements of USANA, Inc. and subsidiary (the Company or USANA) for the reporting period and the comparable quarter for the preceding year are attached to and form a part of this report. The interim financial statements should be read in conjunction with the following explanatory notes.

Notes to Financial Statements

Note 1. Presentation of Interim Financial Statements

The interim financial statements presented herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 1995. The accompanying financial statements have not been examined by independent accountants, but in the opinion of management such financial statements include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly the Company's financial position, results of operations, and cash flows. The results of operations and cash flows for the three months ended March 31, 1996 may not be indicative of the results that may be expected for the year ending December 31, 1996.

Note 2. Property and Equipment

In the early Spring of 1995, as a result of the considerable growth of the Company, USANA began looking for larger facilities. Because no suitable leased space could be located, the Company decided to build its own space, and subsequently acquired 16 acres of land for its current and future expansion. Construction was begun in September 1995 on a 95,000 square-foot building, approximately 30,000 square feet of warehouse space and 65,000 square feet of office and clean-room manufacturing space. The construction is expected to be complete in June 1996 at which time the Company will move from its current leased facilities into the newly constructed world headquarters, manufacturing, and distribution facilities.

The latest estimated total cost for the land, building, and associated facilities is approximately \$6.7 million. The Company has financed the purchase of the land and construction costs to-date (approximately \$4.5 million) through internally generated funds and from the sale of 964,377 shares of restricted stock to Gull Holdings, Ltd., Company's largest shareholder, wholly-owned by Dr. Myron Wentz, the Company's founder.

USANA has obtained from First Interstate Bank a commitment to loan up to \$5,000,000 construction loan and permanent financing on the new headquarters land and building.

The construction loan is at a variable interest rate of prime plus .25%. The construction loan is for one year. First Interstate Bank has given USANA a commitment to provide the Company with permanent financing up to \$5,000,000. Specific rates and terms are yet to be determined.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Three months ended March 31.

Net sales for the three months ended March 31, 1996 totaled \$10,554,160 compared to net sales of \$3,199,955 for the same period in 1995, an increase of \$7,354,205 or 230 percent. Cost of sales of \$815,182 for the three months ended March 31, 1995 were 25.5% of net sales. Cost of sales of \$2,037,758 for the same period in 1996 represented an improvement to 19.3% of net sales. The improvement was due primarily to increased efficiency of operations, resulting substantially from larger batch sizes made possible by the significant increase in sales volume.

Distributor incentives of \$4,816,435 during the first three months of 1996 (45.6% of net sales) represented an increase of \$3,462,071 over the \$1,354,364 (42.3% of net sales) paid in the same period in 1995. The increase in the amount was due to significantly higher sales. The increase as a percent of net sales was due to the maturation of the network marketing distribution system.

Selling, general and administrative expenses (excluding distributor incentives) during the three months ended March 31, 1996 totaled \$1,836,926 or 17.4% of sales, compared to \$590,237 or 18.4% for the same period in 1995. The increase of 211% in selling, general and administrative expenses was due primarily to increases in sales and the number of distributors, which resulted in an increased number of employees and facilities to service distributors. The improvement as a percentage of net sales was due largely to expected economies of scale, partially offset by the effects of rapid growth. Management expects these expenses to increase in line with net sales. However, the percentage of selling, general and administrative to net sales will likely continue to decline slightly throughout 1996.

The Company recognized net income of \$1,118,958 during the three months ended, March 31, 1996, compared to \$282,764 during the first quarter of 1995. The improvement of 296% was due principally to increased sales, accompanied by a more efficient use of personnel and other administrative resources. Net earnings per share during the first quarter of 1996 were approximately \$.18 per share, compared to \$.05 per share during the first three months of 1995.

Liquidity and Capital Resources

At March 31, 1996, current assets of the Company were approximately \$5.3 million and current liabilities were approximately \$3.6 million, resulting in working capital of approximately \$1.7 million compared to working capital of \$1.8 million at December 31, 1995. The Company's current ratio was 1.47 to 1 at March 31, 1996, compared to 1.50 to 1 at December 31, 1995. The decrease resulted largely from an increase in current liabilities as increased inventories were offset by decreased cash balances. Cash totaling \$1,084,832 was used to fund the construction of the Company's new headquarters building. Other capital expenditures during the first quarter of 1996 required the expenditure of an additional \$154,572 of cash.

The Company's total long-term debt of \$12,203 consisted of a lease on computer software.

As a result of the Company's growth in Canada, in February 1995, the Company established USANA Canada Inc. and invested \$100,000 in this wholly-owned subsidiary. Net sales of USANA Canada were \$3.0 million in 1995 and \$1.8 million in the first quarter of 1996 (approximately 12.3% and 17%, respectively, of consolidated net sales). Net earnings for the Canadian subsidiary were \$27,000 and \$78,000 respectively.

The Company believes that existing cash balances of approximately \$2.4 million, together with borrowings and additional capital sources related to a financing of the Company's new facilities will be adequate to meet the Company's anticipated cash requirements through March 31, 1997. However, in the event the Company experiences adverse operating performance or above anticipated capital expenditure requirements, additional financing may be required. There can be no assurance that additional financing, if required, would be available on favorable terms.

Material Commitments for capital expenditures

Estimated remaining costs on the construction of the Company's new headquarters, manufacturing, and distribution facilities described earlier are approximately \$2.2 million. A commitment for financing of up to \$5.0 million on the project has been received from a local First Interstate Bank, as mentioned above. The Company anticipates finalizing financing of the project within the next month.

Inflation

Inflation has not had a significant impact on the Company's operations in the past three years and is not expected to have a significant impact in the foreseeable future.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On March 6, 1996, International Nutrition Company ("INC") filed a patent infringement action against USANA, and seventeen other defendants, alleging infringement of U.S. patent number 4,698,360, which is allegedly owned by INC. The complaint, filed in the United States District Court for the District of Connecticut, alleges that USANA's Proflavanol product violates the patent. The complaint seeks preliminary and permanent injunctions against USANA that would prohibit further sales of the Proflavanol product. INC also seeks monetary damages, including USANA's profits realized as a result of the alleged infringement, damages suffered by INC resulting from the alleged infringement, and attorneys' fees and costs incurred by INC. USANA will formally respond to the action on June 4, 1996. Having conducted a thorough investigation of the patent and allegations made in the complaint, however, USANA believes that its manufacture and sale of the Proflavanol does not infringe any valid claim of the asserted patent. USANA intends to vigorously defend its right to continue providing its Proflavanol product to its customers and distributors. There can be no assurance, however, that USANA will succeed in its defense of this matter.

On March 22, 1996, USANA filed a lawsuit against INC in the United

States District Court for the District of Utah. This complaint seeks a declaratory judgment that U.S. Patent No. 4,698,360 is invalid, and that USANA's products do not infringe any valid claim of the patent.

Other than as described herein, the Company is not a party to any material litigation or proceedings.

Item 2. Changes in Securities

There were no changes in the instruments defining the rights of holders of any class of registered securities during the quarter.

Item 3. Defaults Upon Senior Securities

There were no defaults in payments of this type during the reporting period.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the period covered by this report.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Exhibit 27 -- Financial Data Schedule

Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

USANA, Inc.

By: /s/ GILBERT FULLER

Gilbert Fuller, Vice President of Finance

Dated: July 10, 1996

USANA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

<TABLE>
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As of March 31,

	1996	1995
	-----	-----
	1996	1995
	-----	-----
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ASSETS		
Current assets		
Cash	\$ 2,363,325	\$ 888,769
Accounts receivable, less allowance for doubtful accounts of \$2,000 in 1996 and \$106,698 in 1995		14 35,874
Inventories	2,681,907	975,824
Prepaid expenses and other assets		72,278
Deferred income taxes		170,059
	-----	-----

Total current assets	5,287,583	1,900,467
Property and equipment, at cost		
Land	1,748,877	
Building under construction	2,593,718	
Equipment and furniture, net of accumulated depreciation and amortization of \$1,000,909 in 1996 and \$ 849,661 in 1995	1,333,823	830,545
Other assets	363,772	258,079
Total assets	<u>\$ 11,327,773</u>	<u>\$ 2,989,091</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 1,566,889	\$ 325,285
Accrued liabilities:		
Accrued commissions	464,825	646,148
Sales tax payable	427,448	
Income taxes payable	476,349	
Other	368,535	
Unearned Revenue	272,163	
Current portion of long-term debt	10,909	10,222
Total current liabilities	<u>3,587,118</u>	<u>981,655</u>
Long-term debt, less current portion	1,294	3,140
Deferred income taxes	49,160	
Stockholders' equity		
Common stock, no par value, 50,000,000 shares authorized 6,280,119 and 5,315,742 shares issued and outstanding at March 31, 1996 and 1995, respectively.	6,004,917	3,473,429
Cumulative foreign currency translation adjustment	12,975	
Retained earnings (accumulated deficit)	1,672,309	(1,469,133)
Total stockholders' equity	<u>7,690,201</u>	<u>2,004,296</u>
Total liabilities and stockholders' equity	<u>\$ 11,327,773</u>	<u>\$ 2,989,091</u>

</TABLE>

USANA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

<TABLE>
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	Three Months Ended March 31,	
	1996	1995
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Sales	\$ 10,554,160	\$ 3,199,955
Cost of Sales	2,037,758	815,182
Gross Profit	<u>8,516,402</u>	<u>2,384,773</u>
Expenses		
Distributor incentives	4,816,435	1,354,364
Selling, general and administrative	1,836,926	590,237
Research and development	127,785	17,938
Subtotal Expenses	<u>6,781,146</u>	<u>1,962,539</u>
Earnings from Operations	1,735,256	422,234
Other Income (expense)		

Interest income	49,834	7,874
Interest expense	(384)	(344)
Other, net	13,132	
	-----	-----
Subtotal other income (expense)	62,582	7,530
Earnings before income taxes	1,797,838	429,764
Income Taxes	(678,880)	(147,000)
	-----	-----
NET EARNINGS	\$ 1,118,958	\$ 282,764
	=====	=====
Earnings per common and common equivalent share	\$ 0.18	\$ 0.05
	=====	=====
Weighted average number of common and common equivalent shares	6,280,119	5,315,742
	=====	=====

</TABLE>

USANA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
Unaudited

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	Three Months Ended March 31,	
	1996	1995
	-----	-----
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Increase in cash and cash equivalents		
Cash flows from operating activities		
Net earnings	\$ 1,118,958	\$ 282,764
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	135,478	65,488
(Gain) loss on sale of property and equipment	(5,784)	
Provision for doubtful accounts	-	14,389
Deferred income taxes	101	23,000
Changes in assets and liabilities		
Receivables	11,232	(17,634)
Inventories	(554,183)	(88,892)
Prepaid expenses and other assets	(123,930)	(14,389)
Cash overdraft	-	(275,084)
Accounts payable	356,684	260,871
Accrued liabilities	(335,743)	
	-----	-----
Total adjustments	(516,145)	(32,251)
Net cash provided by operating activities	602,813	250,513
	-----	-----
Cash flows from investing activities		
Collection of advances to related parties		160,000
Equipment deposits		(117,648)
Construction in progress of office building	(1,084,832)	
Purchase of property and equipment	(154,572)	(48,990)
Proceeds from sale of equipment	9,400	
	-----	-----
Net cash used in investing activities	(1,230,004)	(6,638)
	-----	-----
Cash flows from financing activities		
Payments on long-term debt	(2,616)	(2,010)

Effect of exchange rate changes on cash	16,726	
	-----	-----
Net increase in cash and cash equivalents	(613,081)	241,865
Cash and cash equivalents at beginning of period	2,976,406	646,904
Cash and cash equivalents at end of period	\$ 2,363,325	\$ 888,769
	=====	=====

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