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 October 2, 2021

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: 001-35024

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

Utah	**87-0500306**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	USNA	New York Stock Exchange

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

As of November 5, 2021, there were outstanding 19,461,908 shares of the registrant's common stock, $0.001 par value.

USANA HEALTH SCIENCES, INC.

FORM 10-Q

For the Quarterly Period Ended October 2, 2021

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Cautionary Note Regarding Forward-Looking Statements and Certain Risks

This report, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2, contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We may also make forward-looking statements in other reports filed with the Securities and Exchange Commission (“SEC”), in materials delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “plan,” “seek,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely unduly on forward-looking statements.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ materially from those we project or assume in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the SEC. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments, the occurrence of unanticipated events or otherwise. Important factors that could cause our actual results, performance and achievements to differ materially from estimates or projections contained in our forward-looking statements in this report include, among others, the following:

- Our dependence upon the direct selling business model to distribute our products and the activities of our independent Associates;
- Extensive regulation of our business model and uncertainties relating to the interpretation and enforcement of applicable laws and regulations governing direct selling and anti-pyramiding, particularly in the United States and China;
- The operation and expansion of our business in China through our subsidiary, BabyCare Holdings, Ltd. (“BabyCare”), including risks related to (i) operating in China in general, (ii) engaging in direct selling in China, (iii) BabyCare’s business model in China, and (iv) changes in the Chinese economy, marketplace or consumer environment;
- Unanticipated effects of changes to our Compensation Plan;
- Challenges associated with our planned expansion into new international markets, delays in commencement of sales or product offerings in such markets, delays in compliance with local marketing or other regulatory requirements, or changes in target markets;
- Uncertainty related to the magnitude, scope and duration of the impact of the novel strain coronavirus COVID-19 pandemic (“COVID-19” or the “COVID-19 pandemic”) to our business, operations and financial results, including, for example, additional regulatory measures or voluntary actions that may be put in place to limit the spread of COVID-19 in the markets where we operate, such as restrictions on business operations, shelter at home, or social distancing requirements;
- Political events, natural disasters, pandemics, epidemics or other health crises including, and in addition to, COVID-19 or other events that may negatively affect economic conditions, consumer spending or consumer behavior;
- Changes to trade policies and tariffs, the impact of customs, duties, taxation, and transfer pricing regulations, as well as regulations governing distinctions between and our responsibilities to employees and independent contractors;
- Deterioration in foreign relations, as well as international disputes, or tensions, between the United States and other countries, including China;
- Volatile fluctuation in the value of foreign currencies against the U.S. dollar;
- Noncompliance by us or our Associates with any data privacy laws or any security breach by us or a third party involving the misappropriation, loss, destruction or other unauthorized use or disclosure of confidential information;
- Shortages of raw materials, disruptions in the business of our contract manufacturers, significant price increases of key raw materials, significant price increases of freight and transportation, meaningful delays in freight and shipping, and other disruptions to our supply chain; and
- Our continued compliance with debt covenants in our Credit Facility.

Important information as to these factors can be found in this document, including, among other sections, in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings of “Overview,” and “Financial Condition and Liquidity.” Discussion of these factors is incorporated by reference from Part I, Item 1A, “Risk Factors,” of this document, and should be considered an integral part of Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” For additional information concerning factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Form 10-K, 10-Q and 8-K filed with the SEC from time to time.

Unless otherwise indicated or otherwise required by the context, the terms “we,” “our,” “it,” “its,” “Company,” and “USANA” refer to USANA Health Sciences, Inc. and its wholly-owned subsidiaries. USANA Health Sciences, Inc. and its subsidiaries’ names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of USANA Health Sciences, Inc. and its subsidiaries. Names, abbreviations of names, logos, and products and service designators of other companies are either the registered or unregistered trademarks or tradenames of their respective owners. References to internet websites in this Form 10-Q are provided for convenience only. Information available through these websites is not incorporated by reference into this Form 10-Q.

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(unaudited)

	As of October 2, 2021	As of January 2, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 248,695	$ 311,917
Inventories	96,316	90,224
Prepaid expenses and other current assets	23,414	23,145
Total current assets	368,425	425,286
Property and equipment, net	100,957	100,445
Goodwill	17,510	17,367
Intangible assets, net	30,312	30,796
Deferred tax assets	5,465	4,640
Other assets	56,277	62,353
	$ 578,946	$ 640,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 13,706	$ 18,195
Other current liabilities	144,258	149,878
Total current liabilities	157,964	168,073
Deferred tax liabilities	7,840	12,009
Other long-term liabilities	14,063	19,155
Stockholders' equity		
Common stock, $0.001 par value; Authorized -- 50,000 shares, issued and outstanding 19,646 as of October 2, 2021 and 21,038 as of January 2, 2021	20	21
Additional paid-in capital	50,946	62,460
Retained earnings	349,586	382,794
Accumulated other comprehensive income (loss)	(1,473)	(3,625)
Total stockholders' equity	399,079	441,650
	$ 578,946	$ 640,887

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share data)
(unaudited)

	Quarter Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net sales	$ 274,352	$ 298,513	$ 919,165	$ 824,123
Cost of sales	50,715	56,358	165,380	150,091
Gross profit	223,637	242,155	753,785	674,032
Operating expenses:				
Associate incentives	116,222	131,144	404,580	358,065
Selling, general and administrative	66,645	65,656	210,518	192,014
Total operating expenses	182,867	196,800	615,098	550,079
Earnings from operations	40,770	45,355	138,687	123,953
Other income (expense):				
Interest income	487	460	1,926	1,879
Interest expense	(18)	(1,377)	(39)	(1,615)
Other, net	(889)	(163)	(1,578)	(800)
Other income (expense), net	(420)	(1,080)	309	(536)
Earnings before income taxes	40,350	44,275	138,996	123,417
Income taxes	13,020	13,769	42,811	38,382
Net earnings	$ 27,330	$ 30,506	$ 96,185	$ 85,035
Earnings per common share				
Basic	$ 1.37	$ 1.45	$ 4.72	$ 4.01
Diluted	$ 1.36	$ 1.44	$ 4.68	$ 4.00
Weighted average common shares outstanding				
Basic	19,961	21,043	20,367	21,191
Diluted	20,156	21,170	20,566	21,283
Comprehensive income:				
Net earnings	$ 27,330	$ 30,506	$ 96,185	$ 85,035
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(776)	6,381	(448)	2,005
Tax benefit (expense) related to foreign currency translation adjustment	259	(331)	2,600	(1,184)
Other comprehensive income (loss), net of tax	(517)	6,050	2,152	821
Comprehensive income	$ 26,813	$ 36,556	$ 98,337	$ 85,856

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

For nine months ended September 26, 2020

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at December 28, 2019	21,655	$ 22	$ 59,445	$ 306,146	$ (13,901)	$ 351,712
Net earnings				85,035		85,035
Other comprehensive income (loss), net of tax					821	821
Equity-based compensation expense			10,519			10,519
Common stock repurchased and retired	(785)	(1)	(9,012)	(48,016)		(57,029)
Common stock issued under equity award plans	150	—				—
Tax withholding for net-share settled equity awards			(1,941)			(1,941)
Balance at September 26, 2020	21,020	$ 21	$ 59,011	$ 343,165	$ (13,080)	$ 389,117

For nine months ended October 2, 2021

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at January 2, 2021	21,038	$ 21	$ 62,460	$ 382,794	$ (3,625)	$ 441,650
Net earnings				96,185		96,185
Other comprehensive income (loss), net of tax					2,152	2,152
Equity-based compensation expense			11,039			11,039
Common stock repurchased and retired	(1,548)	(1)	(19,512)	(129,393)		(148,906)
Common stock issued under equity award plans	156	—				—
Tax withholding for net-share settled equity awards			(3,041)			(3,041)
Balance at October 2, 2021	19,646	$ 20	$ 50,946	$ 349,586	$ (1,473)	$ 399,079

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

For the three months ended September 26, 2020

	Common Stock Shares	Common Stock Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 27, 2020	21,017	$ 21	$ 55,526	$ 312,659	$ (19,130)	$ 349,076
Net earnings				30,506		30,506
Other comprehensive income (loss), net of tax					6,050	6,050
Equity-based compensation expense			3,528			3,528
Common stock issued under equity award plans	3	—				—
Tax withholding for net-share settled equity awards			(43)			(43)
Balance at September 26, 2020	21,020	$ 21	$ 59,011	$ 343,165	$ (13,080)	$ 389,117

For the three months ended October 2, 2021

	Common Stock Shares	Common Stock Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at July 3, 2021	20,134	$ 20	$ 53,909	$ 365,650	$ (956)	$ 418,623
Net earnings				27,330		27,330
Other comprehensive income (loss), net of tax					(517)	(517)
Equity-based compensation expense			3,454			3,454
Common stock repurchased and retired	(523)	—	(6,357)	(43,394)		(49,751)
Common stock issued under equity award plans	35	—				—
Tax withholding for net-share settled equity awards			(60)			(60)
Balance at October 2, 2021	19,646	$ 20	$ 50,946	$ 349,586	$ (1,473)	$ 399,079

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	October 2, 2021	September 26, 2020
Cash flows from operating activities		
Net earnings	$ 96,185	$ 85,035
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	9,754	10,513
Right-of-use asset amortization	6,778	6,479
(Gain) loss on sale of property and equipment	45	145
Equity-based compensation expense	11,039	10,519
Deferred income taxes	(2,603)	(4,623)
Changes in operating assets and liabilities:		
Inventories	(8,608)	(8,858)
Prepaid expenses and other assets	1,650	(7,259)
Accounts payable	(4,223)	2,179
Other liabilities	(13,712)	18,356
Net cash provided by (used in) operating activities	96,305	112,486
Cash flows from investing activities		
Receipts on notes receivable	116	236
Proceeds from the settlement of net investment hedges	—	1,935
Payments for net investment hedge	(1,555)	(1,089)
Proceeds from sale of property and equipment	15	—
Purchases of property and equipment	(9,610)	(13,610)
Net cash provided by (used in) investing activities	(11,034)	(12,528)
Cash flows from financing activities		
Repurchase of common stock	(145,926)	(57,029)
Borrowings on line of credit	—	60,000
Payments on line of credit	—	(60,000)
Payments related to tax withholding for net-share settled equity awards	(3,041)	(1,941)
Net cash provided by (used in) financing activities	(148,967)	(58,970)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(351)	2,672
Net increase (decrease) in cash, cash equivalents, and restricted cash	(64,047)	43,660
Cash, cash equivalents, and restricted cash at beginning of period	315,937	237,688
Cash, cash equivalents, and restricted cash at end of period	$ 251,890	$ 281,348
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	$ 248,695	$ 278,418
Restricted cash included in prepaid expenses and other current assets	93	—
Restricted cash included in other assets	3,102	2,930
Total cash, cash equivalents, and restricted cash	$ 251,890	$ 281,348
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 8	$ 1,556
Income taxes	49,065	43,789
Cash received during the period for:		
Income tax refund	138	270
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for lease obligations	1,948	3,775
Accrued purchases of property and equipment	245	414
Unsettled trades for repurchase of common stock	2,980	—

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE A – ORGANIZATION, CONSOLIDATION, AND BASIS OF PRESENTATION

USANA Health Sciences, Inc. develops and manufactures high quality, science-based nutritional and personal care products that are sold internationally through a network marketing system, which is a form of direct selling. The Condensed Consolidated Financial Statements (the "Financial Statements") include the accounts and operations of the Company, which are grouped and presented in two geographic regions: (1) Asia Pacific, and (2) Americas and Europe. Asia Pacific is further divided into three sub-regions: (i) Greater China, (ii) Southeast Asia Pacific, and (iii) North Asia.

(1) Asia Pacific -

(i) Greater China - Hong Kong, Taiwan, and China. The Company's business in China is conducted by BabyCare Holdings, Ltd., the Company's wholly-owned subsidiary.

(ii) Southeast Asia Pacific – Australia, New Zealand, Singapore, Malaysia, the Philippines, Thailand, and Indonesia.

(iii) North Asia – Japan and South Korea.

(2) Americas and Europe – United States, Canada, Mexico, Colombia, the United Kingdom, France, Germany, Spain, Italy, Romania, Belgium, and the Netherlands.

The condensed consolidated balance sheet as of January 2, 2021, derived from audited consolidated financial statements, and the unaudited interim condensed consolidated financial information of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the SEC. Accordingly, certain information and disclosures that are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. In the opinion of the Company's management, the accompanying interim condensed consolidated financial information contains all adjustments, consisting only of normal recurring adjustments that are necessary to state fairly the Company's financial position as of October 2, 2021 and results of operations and cash flows for the three and nine months ended October 2, 2021 and September 26, 2020.

The interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto that are included in the Company's Annual Report on Form 10-K for the year ended January 2, 2021. The results of operations for the three and nine months ended October 2, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending January 1, 2022.

The COVID-19 pandemic has negatively impacted economies, businesses, sales practices, supply chains, and consumer behavior around the world. These factors and other events related to COVID-19 have created meaningful disruptions in both the Company's sales and operations for the three and nine months ended October 2, 2021, and for fiscal 2020. At this time, the Company is unable to predict the impact that COVID-19 will have on its business, financial position and operating results in future periods due to numerous uncertainties and is closely monitoring the impact of the pandemic on all aspects of its business.

Recent Accounting Pronouncements

Adopted accounting pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 is intended to simplify various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying certain aspects of the current guidance to promote consistency among reporting entities. The amendments in this ASU are effective for annual periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. Most amendments within this ASU are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company adopted ASU 2019-12 during the first quarter ended April 3, 2021 and the adoption of the standard did not have an impact on its condensed consolidated financial statements.

In January 2021, the FASB issued ASU No. 2021-01 "Reference Rate Reform (Topic 848): Scope," which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. Specifically, certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Amendments in this ASU to the expedients and exceptions in Topic 848 capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. The amendments in this ASU do not apply to contract modifications made after December 31, 2022, new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship (including periods after December 31, 2022). The amendments in this ASU are effective immediately for all entities. An entity may elect to apply the amendments in this ASU on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final ASU, up to the date that financial statements are available to be issued. The Company, on January 7, 2021, adopted ASU 2021-01 on a prospective basis and the adoption of this ASU did not have an impact on its condensed consolidated financial statements.

No other new accounting pronouncement issued or effective during the three and nine months ended October 2, 2021, had, or is expected to have, a material impact on the Company's condensed consolidated financial statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

NOTE B – FAIR VALUE MEASURES

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 inputs are from other than quoted market prices included in Level1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable and are used to measure fair value in situations where there is little, if any, market activity for the asset or liability at the measurement date.

As of the dates indicated, the following financial assets and liabilities were measured at fair value on a recurring basis using the type of inputs shown:

		Fair Value Measurements Using Inputs		
	October 2, 2021	Level 1	Level 2	Level 3
Money market funds included in cash equivalents	$ 169,604	$ 169,604	$ —	$ —
Foreign currency contracts included in prepaid expenses and other current assets	187	—	187	—
	$ 169,791	$ 169,604	$ 187	$ —

		Fair Value Measurements Using Inputs		
	January 2, 2021	Level 1	Level 2	Level 3
Money market funds included in cash equivalents	$ 224,092	$ 224,092	$ —	$ —
Foreign currency contracts included in other current liabilities	(1,470)	—	(1,470)	—
	$ 222,622	$ 224,092	$ (1,470)	$ —

There were no transfers of financial assets or liabilities between levels of the fair value hierarchy for the periods indicated.

The majority of the Company’s non-financial assets, which include long-lived assets, arenot required to be carried at fair value on a recurring basis. However, if an impairment charge is required, a non-financial asset would be written down to fair value. As of October 2, 2021 and January 2, 2021, there were no non-financial assets measured at fair value on a non-recurring basis.

The Company’s financial instruments include cash equivalents, accounts receivable, restricted cash, notes receivable, equity securities, accounts payable, and foreign currency contracts. The recorded values of cash equivalents, accounts receivable, restricted cash, and accounts payable approximate their fair values, based on their short-term nature.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

NOTE C – INVENTORIES

Inventories consist of the following:

	October 2, 2021	January 2, 2021
Raw materials	$ 30,931	$ 28,328
Work in progress	10,377	9,956
Finished goods	55,008	51,940
	$ 96,316	$ 90,224

NOTE D – INVESTMENT IN EQUITY SECURITIES

As of October 2, 2021 and January 2, 2021, the carrying amount of equity securities without readily determinable fair values was $20,000 and is included in the "Other assets" line item on the Company's condensed consolidated balance sheets.

During the three and nine months ended October 2, 2021, and the fiscal year ended January 2, 2021, no observable price changes occurred, and no impairment of securities was recorded.

NOTE E – INTANGIBLE ASSETS

The Company performed its annual goodwill impairment test during the third quarter of 2021. The Company performed a qualitative assessment of each reporting unit and determined that it was not more-likely-than-not that the fair value of any reporting unit was less than its carrying amount. As a result, no impairments of goodwill were recognized.

The Company also performed its annual indefinite-lived intangible asset impairment test during the third quarter of 2021. The Company performed a qualitative assessment of the indefinite-lived intangible asset and determined that it was not more-likely-than-not that the fair value of the indefinite-lived intangible asset was less than the carrying amount. As a result, no impairment of the indefinite-lived intangible asset was recognized.

NOTE F – REVENUE AND CONTRACT LIABILITIES

Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. A majority of the Company's sales are for products sold at a point in time and shipped to customers, for which control is transferred as goods are delivered to the third party carrier for shipment. The Company receives payment, primarily via credit card, for the sale of products at the time customers place orders and payment is required prior to shipment. Contract liabilities, which are recorded within the "Other current liabilities" line item in the condensed consolidated balance sheets, primarily relate to deferred revenue for product sales for customer payments received in advance of shipment, for outstanding material rights under the initial order program, and for services where control is transferred over time as services are delivered.

Other revenue includes fees, which are paid by the customer at the beginning of the service period, for access to online customer service applications and annual account renewal fees for Associates, for which control is transferred over time as services are delivered and are recognized as revenue on a straight-line basis over the term of the respective contracts.

The following table presents Other Revenue for the periods indicated:

	Quarter Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Other Revenue	$ 942	$ 817	$ 2,880	$ 2,794

Disaggregation of revenue by geographic region and major product line is included in Segment Information in Note K.

The following table provides information about contract liabilities from contracts with customers, including significant changes in the contract liabilities balances during the period:

	October 2, 2021	January 2, 2021
Contract liabilities at beginning of period	$ 15,952	$ 13,852
Increase due to deferral of revenue at period end	15,912	15,952
Decrease due to beginning contract liabilities recognized as revenue	(15,701)	(13,852)
Contract liabilities at end of period	$ 16,163	$ 15,952

NOTE G – LINE OF CREDIT

On August 25, 2020, the Company as borrower, and certain of its material subsidiaries as guarantors, entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement") with Bank of America, N.A. ("Bank of America") as Administrative Agent, Swingline Lender and Letter of Credit Issuer, and the other lenders party thereto. On April 21, 2021, the Company entered into the First Amendment to the Second Amended and Restated Credit Agreement, which, among other things amended the definition of "LIBOR Replacement Date," "LIBOR Successor Rate," and "Eurodollar Rate."

The Credit Agreement provides for a revolving credit limit for loans to the Company up to $75,000 (the "Credit Facility"). In addition, at the option of the Company, and subject to certain conditions, the Company may request to increase the aggregate commitment under the Credit Facility to up to an additional $200,000.

There was no outstanding debt on the Credit Facility as of October 2, 2021. The obligations of the Company under the Credit Agreement are secured by the pledge of the capital stock of certain subsidiaries of the Company, pursuant to a Security and Pledge Agreement.

Interest on revolving borrowings under the Credit Facility are computed at Bank of America's prime rate or the Eurodollar rate, adjusted by features specified in the Credit Agreement. The Credit Agreement covenants require the Company's rolling four-quarter consolidated EBITDA of $100,000 or greater and its ratio of consolidated funded debt to consolidated EBITDA of equal to or less than 2.0 to 1.0 at the end of each quarter. The Credit Agreement does not include any restrictions on the payment of cash dividends or share repurchases by the Company. Consolidated EBITDA and consolidated funded debt are non-GAAP terms.

The Company will be required to pay any balance on this Credit Facility in full at the time of maturity in August 2025.

NOTE H – CONTINGENCIES

The Company is involved in various lawsuits, claims, and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving its products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters. The Company records a liability when a particular contingency is probable and estimable. The Company faces contingencies that are reasonably possible to occur; however, they cannot currently be estimated. While complete assurance cannot be given as to the outcome of these proceedings, management does not currently believe that any of these matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, liquidity or results of operations. It is reasonably possible that a change in the contingencies could result in a change in the amount recorded by the Company in the future.

NOTE I – DERIVATIVE FINANCIAL INSTRUMENTS

The Company's risk management strategy includes the select use of derivative instruments to reduce the effects of volatility in foreign currency exchange exposure on operating results and cash flows. In accordance with the Company's risk management policies, the Company does not hold or issue derivative instruments for trading or speculative purposes. The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. When the Company becomes a party to a derivative instrument and intends to apply hedge accounting, the Company formally documents the hedge relationship and the risk management objective for undertaking the hedge, the nature of risk being hedged, and the hedged transaction, which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge. The Company also documents how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness.

The Company periodically uses derivative instruments to hedge the foreign currency exposure of its net investment in foreign subsidiaries into U.S. dollars. Initially, the Company records derivative assets on a gross basis in its condensed consolidated balance sheets. Subsequently the fair value of derivatives is measured for each reporting period. The effective portion of gains and losses attributable to these net investment hedges is recorded to foreign currency translation adjustment ("FCTA") within accumulated other comprehensive income (loss) ("AOCI") to offset the change in the carrying value of the net investment being hedged, and will subsequently be reclassified to net earnings in the period in which the investment in the subsidiary is either sold or substantially liquidated.

During the nine months ended October 2, 2021 and September 26, 2020, the Company settled European options designated as net investment hedges with notional amounts of $98,684 and $90,000, respectively. No settlements occurred during the three months ended October 2, 2021 and September 26, 2020. For the nine months ended October 2, 2021 and September 26, 2020, the Company realized a loss of $1,555 and realized a gain of $846, respectively, recorded to FCTA within other comprehensive income (loss).

As of October 2, 2021, there were no derivatives outstanding for which the Company has applied hedge accounting.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

NOTE J – COMMON STOCK AND EARNINGS PER SHARE

Basic earnings per share ("EPS") is based on the weighted-average number of shares outstanding for each period. Shares that have been repurchased and retired during the periods specified below have been included in the calculation of the number of weighted-average shares that are outstanding for the calculation of basic EPS based on the time they were outstanding in any period. Diluted EPS is based on shares that are outstanding (computed under basic EPS) and on potentially dilutive shares. Shares that are included in the diluted EPS calculations under the treasury stock method include equity awards that are in-the-money but have not yet been exercised.

The following is a reconciliation of the numerator and denominator used to calculate basic EPS and diluted EPS for the periods indicated:

	Quarter Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net earnings available to common shareholders	$ 27,330	$ 30,506	$ 96,185	$ 85,035
Weighted average common shares outstanding - basic	19,961	21,043	20,367	21,191
Dilutive effect of in-the-money equity awards	195	127	199	92
Weighted average common shares outstanding - diluted	20,156	21,170	20,566	21,283
Earnings per common share from net earnings - basic	$ 1.37	$ 1.45	$ 4.72	$ 4.01
Earnings per common share from net earnings - diluted	$ 1.36	$ 1.44	$ 4.68	$ 4.00

Equity awards for the following shares were not included in the computation of diluted EPS because their effect would be anti-dilutive:

	Quarter Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	60	213	59	438

During the three months ended October 2, 2021, the Company repurchased and retired 523 shares for $49,751 under the Company's share repurchase plan. There were no shares repurchased during the three months ended September 26, 2020.

During the nine months ended October 2, 2021 and September 26, 2020, the Company repurchased and retired 1,548 shares and 785 shares for $148,906 and $57,029, respectively, under the Company's share repurchase plan. The excess of the repurchase price over par value is allocated between additional paid-in capital and retained earnings on a pro-rata basis. The purchase of shares under this plan reduces the number of shares outstanding in the above calculations.

On September 16, 2021, the Company's Board of Directors authorized an increase in the amount available under its share repurchase plan to a total of $150,000. The authorization, which occurred during the first quarter of 2021, is inclusive of the $13,943 that was remaining under the prior authorization. As of October 2, 2021, the remaining authorized repurchase amount under the stock repurchase plan was $137,152. There is no expiration date on the remaining approved repurchase amount and no requirement for future share repurchases.

Subsequent to October 2, 2021, and through November 5, 2021, the Company repurchased and retired 216 shares of common stock for $20,944, at an average market price of $96.94 per share.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

NOTE K – SEGMENT INFORMATION

USANA operates as a direct selling company that develops, manufactures, and distributes high-quality nutritional and personal care products that are sold through a network marketing system of independent distributors ("Associates"). The Company aggregates its operating segments into one reportable segment, as management believes that the Company's segments exhibit similar long-term financial performance and have similar economic characteristics. Performance for a region or market is evaluated based on sales. No single Associate accounted for 10% or more of net sales for the periods presented. The table below summarizes the approximate percentage of total product revenue that has been contributed by the Company's nutritionals, foods, and personal care and skincare products for the periods indicated.

	Quarter Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
USANA® Nutritionals	85%	85%	86%	83%
USANA Foods(1)	8%	9%	8%	11%
Personal care and Skincare	6%	5%	5%	5%
All Other	1%	1%	1%	1%

(1) Includes the Company's new Active Nutrition line, which launched in five markets late in the first quarter of 2021 and will roll out to additional markets in future periods.

Selected Financial Information

Financial information by geographic region is presented for the periods indicated below:

	Quarter Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net Sales to External Customers				
Asia Pacific				
Greater China	$ 123,235	$ 136,013	$ 437,629	$ 391,446
Southeast Asia Pacific	64,570	76,313	212,819	192,694
North Asia	33,068	28,969	100,671	82,072
Asia Pacific Total	220,873	241,295	751,119	666,212
Americas and Europe	53,479	57,218	168,046	157,911
Consolidated Total	$ 274,352	$ 298,513	$ 919,165	$ 824,123

The following table provides further information on markets representing 10% or more of consolidated net sales and long-lived assets, respectively:

	Quarter Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net sales:				
China	$ 109,226	$ 120,523	$ 394,407	$ 346,526
South Korea	$ 32,117	$ 27,792	$ 97,474	$ 79,317
Philippines	$ 18,930	$ 33,585	$ 67,811	$ 73,599

	As of	
	October 2, 2021	January 2, 2021
Long-lived assets:		
China	$ 90,748	$ 92,692
United States	$ 83,954	$ 82,167

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide an understanding of USANA's financial condition, results of operations and cash flows by reviewing certain key indicators and measures of performance.

The MD&A is presented in six sections as follows:

- Overview
- Impact of the COVID-19 Pandemic
- Customers
- Non-GAAP Financial Measures
- Results of Operations
- Liquidity and Capital Resources

This MD&A should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and Notes thereto that are contained in this quarterly report, as well as Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended January 2, 2021 ("2020 Form 10-K") filed with the SEC on March 2, 2021, and our other filings, including the Current Reports on Form 8-K, that have been filed with the SEC through the date of this report. Forward-looking statements in Part I, Item 2 may involve risks and uncertainties that could cause results to differ materially from those projected (refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements and Certain Risks" on page 1 and the risk factors provided in Part II, Item 1A for discussion of these risks and uncertainties).

Overview

We develop and manufacture high quality, science-based nutritional and personal care and skincare products that are distributed internationally through direct selling. We use this distribution method because we believe it is more conducive to meeting our vision as a company, which is to improve the overall health and nutrition of individuals and families around the world. Our customer base is primarily comprised of two types of customers: "Associates" and "Preferred Customers," referred to together as "active Customers." Our Associates also sell our products to retail customers. Associates share in our company vision by acting as independent distributors of our products in addition to purchasing our products for their personal use. Preferred Customers purchase our products strictly for personal use and are not permitted to resell or to distribute the products. We only count as active Customers those Associates and Preferred Customers who have purchased from us at any time during the most recent three-month period. As of October 2, 2021, we had approximately 576,000 active Customers worldwide.

We have ongoing operations in the following markets, which are grouped and presented in two geographic regions: (1) Asia Pacific, and (2) Americas and Europe. Asia Pacific is further divided into three sub-regions: (i) Greater China, (ii) Southeast Asia Pacific, and (iii) North Asia. The countries included in these regions and sub-regions are described below:

(1) Asia Pacific -

(i) Greater China - Hong Kong, Taiwan, and China. Our business in China is conducted by BabyCare Holdings, Ltd., our wholly-owned subsidiary.

(ii) Southeast Asia Pacific – Australia, New Zealand, Singapore, Malaysia, the Philippines, Thailand and Indonesia.

(iii) North Asia – Japan and South Korea.

(2) Americas and Europe – United States, Canada, Mexico, Colombia, the United Kingdom, France, Germany, Spain, Italy, Romania, Belgium, and the Netherlands.

The following table summarizes the approximate percentage of total product revenue that has been contributed by our major product lines and our top-selling products for the current and prior-year periods as indicated:

	Nine Months Ended	
	October 2, 2021	September 26, 2020
Product Line		
USANA® Nutritionals		
Optimizers	68%	63%
Essentials/CellSentials(1)	18%	20%
USANA Foods(2)	8%	11%
Personal care and Skincare	5%	5%
All Other	1%	1%
Key Product		
USANA® Essentials/CellSentials	12%	13%
Proflavanol®	10%	11%
Probiotic	9%	10%

(1) Represents a product line consisting of multiple products, as opposed to the actual USANA® Essentials / CellSentials product.
(2) Includes our new Active Nutrition line.

Our new Active Nutrition line promotes healthy weight management, digestive health, energy and hydration through a holistic approach. We launched the Active Nutrition line in five markets including the United States through the first nine months of 2021 and plan to roll this line out to additional markets in future periods.

Because we have operations in multiple markets, with sales and expenses being generated and incurred in multiple currencies, our reported U.S. dollar sales and earnings can be significantly affected by fluctuations in currency exchange rates. In general, our operating results are affected positively by a weakening of the U.S. dollar and negatively by a strengthening of the U.S. dollar. During the nine months ended October 2, 2021, net sales outside of the United States represented 91.2% of consolidated net sales. In our net sales discussions that follow, we approximate the impact of currency fluctuations on net sales by translating current year sales at the average exchange rates in effect during the comparable periods of the prior year.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic, including the spread of new variants of the virus, has negatively impacted economies, businesses, sales practices, supply chains, and consumer behavior around the world. The ongoing COVID-19 pandemic has created an unpredictable operating environment for us in many of our markets around the world and caused meaningful disruptions in both sales and operations. Government-imposed restrictions, health and safety mandated best practices, and public hesitance regarding in-person gatherings have reduced our ability and the ability of our Associates to hold sales meetings, required our Associates to share and sell our products in a predominantly virtual environment, resulted in cancellations of key Company events and trips, required us to utilize a work-from-home strategy for all non-manufacturing and non-distribution employees, and required us to temporarily close our walk-in and fulfillment locations in some markets where we have such properties. The pandemic has also affected the availability and cost of various of our raw materials, packaging materials and shipping resources to transport our products to our various markets around the world. Our supply chain and logistics have incurred some disruption and we could experience more significant disruptions or closures in the future. These factors and others related to the COVID-19 pandemic, including the spread of new variants of the virus, will likely continue to negatively affect our business throughout 2021 in a number of ways, including those described below.

● Our Workforce. The health and safety of our employees around the world remains our top priority. We remain committed to being socially responsible as a corporate leader in each of our markets and doing our part to reduce the spread of COVID-19. As such, we are continuing to utilize a modified operating model in each of our markets as necessary to follow applicable guidelines from government and health officials. Although a significant portion of our non-manufacturing and non-distribution employees continued with remote working arrangements, we began efforts during the second quarter to bring these employees back to our offices, in markets where health and safety best practices have allowed us to safely do so. In connection with this effort, we are permitting most of our employees to utilize a hybrid work schedule, which allows them to split their time working at the office and remotely. Employees working on site are required to follow applicable health and safety guidelines. We are also continuing to utilize flexible shift schedules, time and attendance policies, and sick-leave policies to promote health, wellness and safety. Where necessary in our international markets, we have temporarily closed product will-call centers and continue to offer curbside delivery and subsidized shipping to customers. We will continue to monitor the situation surrounding the pandemic and implement additional risk mitigation actions where necessary.

● Our Operations. All of our production facilities remain operational under enhanced safety measures and as of the date of this report, however we have experienced disruptions in several of our markets due to the escalation of the COVID-19 pandemic. These disruptions have affected our customers and salesforce and, in some cases our ability to operate and ship products. In some markets, we have had to postpone or cancel certain planned business events and activities. In other markets, we have delayed the introduction of new product offerings until 2022. Although we have successfully modified our operations in each of our markets to date, future efforts to reduce the spread of COVID-19, including the spread of new variants of the virus, may negatively affect our business. The extent of any disruption to our business in each of our markets going forward is difficult to estimate and will depend on many factors, many of which are outside of our control. Our operating plan continues to entail efforts to safeguard against disruptions through maintaining and operating (i) raw material procurement; (ii) manufacturing; (iii) distribution; (iv) selling; (v) operating cash flows and liquidity; (vi) Associate engagement and activity; and (vii) employee support and engagement.

● Our Sales and Salesforce. Demand for our high quality nutritional products has remained high during the pandemic, although our sales and customer count activity during the third quarter were softer than anticipated due, in large part, to a challenging operating environment in many of our markets around the world from the escalation of the COVID-19 pandemic. We continue to utilize a primarily virtual strategy to hold meetings and events with our salesforce; however, in markets where health and safety best practices have allowed us to safely do so, we have held in-person meetings. We will evaluate this strategy as the year and situation with the pandemic progresses. Notwithstanding the foregoing, person-to-person and face-to-face selling and events remain an important part of our business and we plan to begin incorporating the same into our strategy as it becomes safe and appropriate for us and our sales force to do so.

● Our Liquidity. Our liquidity position is strong. We expect to continue to fund our business with cash flow from operations and believe that we have sufficient liquidity to satisfy our day-to-day cash needs. Notwithstanding the foregoing, we will continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate at full strength during these uncertain times. Additionally, as long as uncertainty remains surrounding the duration and impact of the COVID-19 pandemic, the potential impact from the pandemic on our business, financial condition or longer-term financial or operational results will remain uncertain. We will continue to align spending with sales performance and defer non-priority capital investments amid the COVID-19 pandemic.

Customers

Because we sell our products to a customer base of independent Associates and Preferred Customers, we increase our sales by increasing the number of our active Customers, the amount they spend on average, or both. Our primary focus continues to be increasing the number of active Customers. We believe this focus is consistent with our vision of improving the overall health and nutrition of individuals and families around the world. Sales to Associates account for approximately 55.5% of product sales during the nine months ended October 2, 2021. The remainder of our sales are to Preferred Customers. Increases or decreases in product sales are typically the result of variations in the volume of product sold relating to fluctuations in the number of active Customers purchasing our products. The number of active Associates and Preferred Customers is, therefore, used by management as a key non-financial indicator to evaluate our operational performance.

We believe that our ability to attract and retain active Customers is positively influenced by a number of factors, including our high quality product offerings and the general public’s heightened awareness and understanding of the connection between diet and long-term health. Additionally, we believe that our Associate compensation plan and the general public’s growing desire for a secondary source of income and small business ownership are key to our ability to attract and retain Associates. We periodically make changes to our Compensation Plan in an effort to ensure that it is among the most competitive plans in the industry, to encourage behavior that we believe leads to a successful business for our Associates, and to ensure that our plan provides us with leverage to grow sales and earnings. Additionally, the initiatives we are executing under our customer experience and technology enhancements strategy are designed to promote active Customer growth.

To further support our Associates in building their businesses, we traditionally sponsor meetings and events throughout the year, which offer information about our products and our network marketing system. We also provide low cost sales tools, including online sales, business management, and training tools, which are intended to support our Associates in building and maintaining a successful home-based business. Although we provide training and sales tools, we ultimately rely on our Associates to sell our products, attract new active Customers to purchase our products, and educate and train new Associates. We sponsor meetings designed to assist Associates in their business development and to provide a forum for interaction with our Associate leaders and members of our management team.

The table below summarizes the changes in our active Customer base by geographic region, rounded to the nearest thousand as of the dates indicated:

	Total Active Customers by Region					
	As of October 2, 2021		As of September 26, 2020		Change from Prior Year	Percent Change
Asia Pacific:						
Greater China	246,000	42.7%	284,000	43.7%	(38,000)	(13.4%)
Southeast Asia Pacific	134,000	23.3%	158,000	24.3%	(24,000)	(15.2%)
North Asia	63,000	10.9%	60,000	9.2%	3,000	5.0%
Asia Pacific Total	443,000	76.9%	502,000	77.2%	(59,000)	(11.8%)
Americas and Europe	133,000	23.1%	148,000	22.8%	(15,000)	(10.1%)
	576,000	100.0%	650,000	100.0%	(74,000)	(11.4%)

Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States (GAAP). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures described below. Our management believes these non-GAAP financial measures that exclude the impact of specific items (described below) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current results and results in prior operating periods and in understanding the activities and business metrics of our operations. We believe that these non-GAAP financial measures reflect an additional way of viewing aspects of our business that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. We provide non-GAAP financial information for informational purposes only. Readers should consider the information in addition but not instead of or superior to, our consolidated financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.

In this report, we use “constant currency” net sales, “local currency” net sales, and other currency-related financial information terms that are non-GAAP financial measures. We believe the use of these terms is helpful in understanding the impact of fluctuations in foreign-currency exchange rates and facilitating period-to-period comparisons of our results of operations and provides investors an additional perspective on trends and underlying business results. Changes in our reported revenue and profits in this report include the impacts of changes in foreign currency exchange rates. As additional information to the reader, we provide constant currency assessments in the tables and the narrative information in this MD&A to remove or quantify the impact of the fluctuation in foreign exchange rates and utilize constant currency results in our analysis of performance. Our constant currency financial results are calculated by translating the current period’s financial results at the same average exchange rates in effect during the applicable prior-year period and then comparing this amount to the prior-year period’s financial results. The GAAP reconciliations of these non-GAAP measures are contained in the tables within Results of Operations.

Results of Operations

Summary of Financial Results

Net sales for the third quarter of 2021 decreased 8.1% to $274.4 million, a decrease of $24.2 million, compared with the prior-year quarter. This decrease was primarily the result of a timing difference in a successful short-term incentive program that we have offered during the last two years. In 2021, we offered this incentive program during the second quarter, whereas, in 2020, we offered this program during the third quarter, thereby creating a challenging comparable on both a year-over-year and sequential basis for the third quarter of 2021. The decrease in net sales for the quarter was partially offset by favorable changes in currency exchange rates, which benefited net sales for the third quarter by $9.9 million.

Net earnings for the third quarter of 2021 were $27.3 million, a decrease of 10.5% compared with $30.5 million during the prior-year quarter. The decrease in net earnings was mainly the result of decreased sales and higher relative operating expenses.

Quarters Ended October 2, 2021 and September 26, 2020

Net Sales

The following table summarizes the changes in net sales by geographic region for the fiscal quarters ended as of the dates indicated:

Net Sales by Region (in thousands) Quarter Ended

	October 2, 2021		September 26, 2020		Change from prior year	Percent change	Currency impact on sales	Percent change excluding currency impact
Asia Pacific								
Greater China	$ 123,235	44.9%	$ 136,013	45.5%	$ (12,778)	(9.4%)	$ 7,457	(14.9%)
Southeast Asia Pacific	64,570	23.5%	76,313	25.6%	(11,743)	(15.4%)	85	(15.5%)
North Asia	33,068	12.1%	28,969	9.7%	4,099	14.1%	770	11.5%
Asia Pacific Total	220,873	80.5%	241,295	80.8%	(20,422)	(8.5%)	8,312	(11.9%)
Americas and Europe	53,479	19.5%	57,218	19.2%	(3,739)	(6.5%)	1,570	(9.3%)
	$ 274,352	100.0%	$ 298,513	100.0%	$ (24,161)	(8.1%)	$ 9,882	(11.4%)

Asia Pacific: The decline in this region is largely the result of a challenging operating environment in several of our Asia Pacific markets due to the escalation of the COVID-19 pandemic, and a successful world-wide incentive program that took place in the prior-year quarter, which did not take place in the current-year quarter. The decrease in constant currency net sales in Greater China was primarily the result of a sales decline in China, where local currency net sales decreased 15.5%, due to a 13.8% decrease in active Customers. The decrease in constant currency net sales in Southeast Asia Pacific is largely the result of sales declines in the Philippines and Australia, which had local currency net sales decline of 42.2% and 10.9%, due to a 42.3% and 9.5% decrease in active Customers, respectively. These declines were partially offset by local currency sales growth in Malaysia, which generated local currency net sales growth of 23.5%, due to a 17.5% increase in active Customers. The increase in constant currency net sales in North Asia was driven by South Korea, which had local currency net sales increase of 12.8%, due to a 7.0% increase in active Customers.

Americas and Europe: The decline in this region was largely the result of the world-wide incentive program that took place in the prior-year quarter, which did not take place in the current-year quarter, as described above. The decrease in constant currency net sales in Americas and Europe was primarily the result of a sales decline in Mexico and Canada, where local currency net sales declined 22.6% and 11.2%, due to a 21.9% and 8.9% decrease in active Customers, respectively.

Gross Profit

Gross profit increased 40 basis points to 81.5% of net sales, up from 811% in the prior-year quarter. This increase can be attributed to favorable changes in currency exchange rates, and lower conversion costs as a result of higher production levels undertaken to build up inventory levels. These improvements were partially offset by leverage lost on fixed period costs due to lower sales, and unfavorable change in market mix

Associate Incentives

Associate incentives decreased 150 basis points to 42.4% of net sales, down from 43.9% in the prior-year quarter. The relative decrease can primarily be attributed to the short-term incentive program offered during the prior-year quarter, as described above. These results were partially offset by increased spending on Associate related incentive trips in certain markets.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 220 basis points relative to net sales, and increased $1.0 million in absolute terms. The relative increase can be attributed to leverage lost on lower net sales. The increased expense in absolute terms is due to higher employee related costs, and an increase in variable expenses.

Income Taxes

Income taxes increased to 32.3% of pre-tax earnings, up from 31.1% of pre-tax earnings in the prior-year quarter. The effective tax rate increased during the current quarter, due to lower consolidated profitability and lower deferred tax asset balances compared to prior expectations.

Diluted Earnings per Share

Diluted EPS decreased 5.6% to $1.36 as compared to $1.44 reported in the prior-year quarter. This decrease can be attributed to lower net earnings, partially offset by lower diluted share count.

Nine Months Ended October 2, 2021 and September 26, 2020

Net Sales

The following table summarizes the changes in net sales by geographic region for the nine months ended as of the dates indicated:

	Net Sales by Region (in thousands) Nine Months Ended							
	October 2, 2021		September 26, 2020		Change from prior year	Percent change	Currency impact on sales	Percent change excluding currency impact
Asia Pacific								
Greater China	$ 437,629	47.6%	$ 391,446	47.5%	$ 46,183	11.8%	$ 30,654	4.0%
Southeast Asia Pacific	212,819	23.2%	192,694	23.4%	20,125	10.4%	9,417	5.6%
North Asia	100,671	10.9%	82,072	10.0%	18,599	22.7%	5,529	15.9%
Asia Pacific Total	751,119	81.7%	666,212	80.9%	84,907	12.7%	45,600	5.9%
Americas and Europe	168,046	18.3%	157,911	19.1%	10,135	6.4%	6,087	2.6%
	$ 919,165	100.0%	$ 824,123	100.0%	$ 95,042	11.5%	$ 51,687	5.3%

Asia Pacific: The increase in constant currency net sales in Greater China was primarily driven by China, which generated local currency net sales growth of 5.3%. The increase in constant currency net sales in Southeast Asia Pacific was driven primarily by Malaysia and Singapore, which had local currency net sales growth of 39.4% and 10.7%, respectively. This growth was partially offset by the Philippines, which had local currency net sales decline of 9.8%. The increase in constant currency net sales in North Asia was driven by South Korea, which had local currency net sales growth of 16.1%.

Americas and Europe: The increase in constant currency net sales in Americas and Europe was driven by net sales growth in the United States, which had local currency sales growth of 4.3%. Additionally, Europe increased constant currency net sales by 10.1%.

Gross Profit

Gross profit increased 20 basis points to 82.0% for the first nine months of 2021, from 81.8% in the prior year. The relative increase can be attributed tofavorable changes in currency exchange rates, and lower conversion costs from higher production levels, partially offset by an unfavorable shift in market mix, and increased freight expense.

Associate Incentives

Associate incentives increased 60 basis points to 44.0% of net sales for the first nine months of 2021, compared with 43.4% in the prior-year period. The relative increase can be attributed to changes in market sales mix, and increased spend on miscellaneous associate incentives.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 50 basis points relative to net sales, and increased $18.5 million in absolute terms for the first nine months of 2021. The relative improvement can be attributed to leverage gained on higher net sales. The increased expense in absolute terms is due to higher employee related costs, an increase in variable expenses associated with higher sales, and increased event costs in certain markets.

Income Taxes

Income taxes decreased to 30.8% of pre-tax earnings for the first nine months of 2021, down from 31.1% of pre-tax earnings in the prior-year period. The lower effective tax rate is due primarily to increased earnings in the United States, which allowed for greater foreign tax credit utilization.

Diluted Earnings per Share

Diluted EPS increased 17.0% in the first nine months of 2021 to $4.68 as compared to $4.00 reported in the prior-year period. This increase can be attributed to higher net earnings and a lower diluted share count.

Liquidity and Capital Resources

We have historically met our working capital and capital expenditure requirements by using net cash flow from operations and by drawing on our line of credit. Our principal source of liquidity is our operating cash flow. Although we are required to maintain cash deposits with banks in certain of our markets, there are currently no material restrictions on our ability to transfer and remit funds among our international markets. In China, however, our compliance with Chinese accounting and tax regulations promulgated by the State Administration of Foreign Exchange ("SAFE") results in transfer and remittance of our profits and dividends from China to the United States on a delayed basis. If SAFE or other Chinese regulators introduce new regulations, or change existing regulations which allow foreign investors to remit profits and dividends earned in China to other countries, our ability to remit profits or pay dividends from China to the United States may be limited in the future.

We believe we have sufficient liquidity to satisfy our cash needs and expect to continue to fund our business with cash flow from operations. We continue, however, to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. Additionally, we continually evaluate opportunities, to repurchase shares of our common stock and will, from time to time, consider the acquisition of, or investment in complementary businesses, products, services and technologies, which has the potential to affect our liquidity.

Cash and Cash Equivalents

Cash and cash equivalents decreased to $248.7 million at October 2, 2021, from $311.9 million at January 2, 2021. Cash flow provided by operating activities generated $96.3 million during the nine months ended October 2, 2021. The decrease in cash and cash equivalents was primarily due to cash used to repurchase and retire shares of our common stock totaling $148.9 million, which is comprised of $145.9 million cash, and an accrual for unsettled trades of $3.0 million, which was settled subsequent to quarter-end, and $9.6 million of capital expenditures.

The table below presents concentrations of cash and cash equivalents by market for the periods indicated:

	Cash and cash equivalents (in Millions)	
	As of October 2, 2021	As of January 2, 2021
China	$ 108.7	$ 133.8
United States	80.1	119.7
All other markets	59.9	58.4
Total Cash and cash equivalents	$ 248.7	$ 311.9

Cash Flows Provided by Operations

As discussed above, our principal source of liquidity comes from our net cash flow from operations, whih results from a strong operating margin. Net cash flow provided by operating activities was $96.3 million for the first nine months of 2021. Net earnings combined with adjustments of non-cash items contributed positively to our net cash flow provided by operating activities, partially offset by purchases of inventories, the payout of the annual employee bonus, and a reduction in trade payables.

Net cash flow provided by operating activities was $112.5 million for the nine months of 2020. Net earnings combined with adjustments of non-cash items contributed positively to our net cash flows provided by operating activities, partially offset by purchases of inventories, the payout of the annual employee bonus, and a reduction in trade payables.

Line of Credit

Information with respect to our line of credit may be found in Note G to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Share Repurchase

Information with respect to share repurchases may be found in Note J to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Off-Balance Sheet Arrangements

None.

Summary

We believe our current cash balances, future cash provided by operations, and amounts available under our line of credit will be sufficient to cover our operating and capital needs in the ordinary course of business for the foreseeable future. If we experience an adverse operating environment or unanticipated and unusual capital expenditure requirements, additional financing may be required. No assurance can be given, however, that additional financing, if required, would be available to us at all or on favorable terms. We might also require or seek additional financing for the purpose of expanding into new markets, growing our existing markets, mergers and acquisitions, or for other reasons. Such financing may include the use of additional debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders.

Critical Accounting Policies

There were no changes during the quarter to our critical accounting policies as disclosed in our 2020 Form 10-K. Our significant accounting policies are disclosed in Note A to our Consolidated Financial Statements filed with our 2020 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have no material changes to the disclosures on this matter made in our 2020 Form 10-K. For a discussion of our exposure to market risk, refer to our market risk disclosures set forth in the section entitled “Quantitative and Qualitative Disclosures About Market Risk” in the 2020 Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information that is required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods that are specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure. In designing and evaluating these disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this report, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer) evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a- 15(e) under the Exchange Act). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 2, 2021.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended October 2, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are a party to litigation and other proceedings that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters.

Information with respect to our legal proceedings may be found in Note H to the Condensed Consolidated Financial Statements included in Item 1 Part I of this report.

Item 1A. RISK FACTORS

Our business, results of operations, and financial condition are subject to various risks. These risks are described elsewhere in this Quarterly Report on Form 10-Q and our other filings with the SEC, including the 2020 Form 10-K. The risk factors identified in our 2020 Form 10-K have not changed in any material respect.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our share repurchase plan has been ongoing since the fourth quarter of 2000, with the Board of Directors periodically approving additional dollar amounts for share repurchases under the plan. At October 2, 2021, the authorized amount available for repurchases under the plan was $137.2 million.

Repurchases are made from time to time at management's discretion in accordance with applicable federal securities laws. Repurchases may occur through open market purchases, pursuant to a Rule 10b5-1 trading plan, or in other transactions as permitted by the rules of the SEC. There is no requirement for future share repurchases, and there is no expiration date of the repurchase plan.

The following table summarizes information relating to purchases of our common stock made by or on behalf of the Company during the quarter ended October 2, 2021.

Issuer Purchases of Equity Securities
(amounts in thousands, except per share data)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Fiscal July (Jul. 4, 2021 through Aug. 7, 2021)	127	$97.74	127	$38,452
Fiscal August (Aug. 8, 2021 through Sep. 4, 2021)	203	$95.92	203	$19,002
Fiscal September (Sep. 5, 2021 through Oct. 2, 2021)	193	$92.65	193	$137,152*
	523		523	

*Information with respect to the authorization of the share repurchase plan may be found in Note J to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

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Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

Item 5. OTHER INFORMATION

None.

Item 6. Exhibits

Exhibits marked with an asterisk (*) are filed herewith.

Exhibit Number	Description
10.18	First Amendment to the Second Amended and Restated Credit Agreement dated as of April 21, 2021(incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended April 3, 2021, filed May 11, 2021, Exhibit 10.18, File No. 001-35024).
10.19	*USANA Health Sciences, Inc. Deferred Compensation Plan (filed herewith)
10.20	*USANA Health Sciences, Inc. Deferred Compensation Plan Adoption Agreement (filed herewith)
31.1	*Certification of Principal Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2	*Certification of Principal Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	*Certification of Principal Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	*Certification of Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data file (formatted as Inline XBRL and contained in Exhibit 101)

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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.

Date: November 10, 2021

USANA HEALTH SCIENCES, INC.

/s/ G. Douglas Hekking
G. Douglas Hekking
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 10.19

Nonqualified Plan Service and Expense Agreement

This Agreement is made by and between the undersigned Plan Representative (“you”, “your”) and the undersigned member company of the Principal Financial Group® (“we”, “us”, “our”). You and we are the “Parties” to this Agreement. Each of the Parties may be referred to separately as a “Party”.

This Agreement consists of this page, the following pages, and the attachments, if any. These are all incorporated in, and made a part of, this Agreement for all purposes. The Parties, by signing this page, agree to all the terms of this Agreement. They also agree to be bound by any and all parts of it as if they had signed at the end.

Each Party represents and warrants that it has the authority to enter into this Agreement and will be bound by it. Each individual signing this Agreement represents and warrants that she or he has, individually or together with any other persons signing this Agreement on behalf of the same Party, the authority to sign this Agreement and make it binding on the Party for whom that person signs.

This Agreement sets out the understanding of the Parties on the matters covered in the Agreement. It supersedes and cancels any and all prior agreements, understandings, or representations between the Parties, whether written or oral, relating to these matters. Nothing in this Agreement amends, modifies, or waives any terms and conditions of any Investment.

Asterisked (“*”) Paragraphs -- Paragraphs following headings marked with asterisks will survive the termination of this Agreement.

We cannot and do not give legal, tax, accounting, or investment advice. Nothing set forth in this Agreement, related documents that we provide, or any communication with you or any Plan Entity may be taken or relied on as legal, tax, accounting, or investment advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, accounting, investment obligations and requirements.

Effective Date of this Agreement: September 1, 2021

USANA Health Sciences, Inc., Plan Representative
By: /s/ Michael Sessions
Title: VP of Human Resources

Principal Life Insurance Company (Member Company of the Principal Financial Group®)
By: /s/ Daniel J. Houston
Title: President and Chief Executive Officer

State in which signed by Plan Representative (‘State”): Utah

Please sign and return entire document

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ARTICLE I - GLOSSARY

Capitalized terms used in this Agreement will have the meanings set out in this "Glossary" unless a different meaning is plainly required by context.

A. "Asset Group" means those Investments that are categorized together for the purpose of providing Asset Administrative Services under this Agreement.

B. "Asset Rebalancing" means the Services described in Attachment C.

C. "Business Day" means any date that the New York Stock Exchange is open for trading and trading is not restricted.

D. "Deposits" means amounts used to purchase Investments.

E. "Employer Responsibilities" means your responsibilities in regard to the maintenance and operation of the Plan as described in Attachment B.

F. "Fee" means any amount due and payable to us under this Agreement.

G. "Investment" means any asset (in most instances, a mutual fund or Policy) informally financing your obligations under the Plan and with respect to which we agree to provide Services.

H. "Major Business Change" means:

- a material change in applicable law;
- a change in the structure or operations of either the Plan or an entity that sponsors the Plan or employs Participants, if we determine the change would have a material impact on the structure, nature, or operations of the Plan, including changes to cash flow or Investment operations or options;
- a change of Plan type;
- a change in types of Investments;
- the addition or deletion of Investment choices;
- a Plan termination or spin-off;
- a greater than 25% change in the value of the Investments or the number of Participants; or
- our discovery of meaningful differences with regard to
  - o data related to the Plan that was provided to us prior to the end of the transition period and data that we receive following the end of the transition period or
  - o the amount of assets we expected to be transferred into Investments before the end of the transition period and the amount of assets actually transferred into Investments at the end of the transition period.

    For the purposes of this Agreement, the transition period ends on the later of:

    - ■ the date on which we have received and processed all data that we need to begin to perform Services without need for additional data and have Notified you that the transition is over or
    - ■ You give us Notice that there are no more assets to be transferred into Investments.

I. "Notice", "Notify", and "Notification" means a communication between the Parties. A communication intended to be a Notice is a written communication or electronic transmission in any form between the Parties and delivered to the address or e-mail address set forth below. A communication to us that is intended to be a Notice to us must be sufficiently clear and complete so that we can use it without requesting further data or instruction in order to be a Notice. We may not, and are forbidden to, take any action based on any form of communication other than either a Notice or a form of legal compulsion, including a subpoena.

The Parties may agree to security procedures for Notices and will treat such procedures as strictly confidential, making them known only to their respective employees who need to know.

Notice should be delivered to the following address or e-mail address, as appropriate: If to us:

Principal Life Insurance Company 4141 Parklake Avenue, Suite 400
Raleigh, NC 27612
EMAIL ADDRESS: The email address of your Plan servicing representative that we provide to you.

If to you:

USANA Health Sciences, Inc. 3838 West Parkway Boulevard Salt Lake City, UT 84210
EMAIL ADDRESS: The email address designated in the Authorized Decision Maker form.

J. "Participant" means a person to whom you have or may have a contractual obligation to pay benefits according to the terms of the Plan.

K. "Party" means either you or us. "Parties" means you and us.

L. "Plan" means the:
USANA Nonqualified Deferred Compensation Plan, a Nonqualified Deferred Compensation Plan.

To the extent that more than one Plan is named, the term "Plans" will refer to any two or more of the Plans.

M. **"Plan Document"** means the document(s) under which a Plan is established and maintained.

N. **"Plan Entity"** means a Plan, any trust or custodial arrangement used as a financing vehicle for the Plan (or the trustee or custodian in connection with those arrangements). The term can apply to any one of the listed terms or in any combination.

O. **"Policy/Policies"** means a variable life insurance policy/policies issued by Principal Life Insurance Company or its affiliates.

P. **"Recordkeeping Account"** means an individual account or the aggregate of all individual accounts tracking your obligation to Participants under the Plan.

Q. **"Reference Investment"** means a hypothetical investment made available by you solely for the purpose of determining the value of a Participant's Recordkeeping Account.

R. **"Services"** means the Services specifically set out and described in this Agreement and Attachment A. Some Services may require additional documentation.

S. **"State"** means the State in which this Agreement is signed by the Plan Representative.

ARTICLE II- GENERAL PROVISIONS

A. Services

1. **Engagement**. You engage us to provide the Services. We accept that engagement.

2. **Services.** We will provide Services in a timely manner while this Agreement is in force. This is subject to:

   - your fulfilling the role required of you, including Employer Responsibilities, with respect to each of those Services,
   - our receipt of timely, accurate and complete information, and
   - our receiving timely payment of Fees.

3. **Financial Professional access to Plan and Participant-level information.** We provide your financial professional(s), their staff associates, and their broker-dealer access to timely Plan-level and Participant-level Information regarding your Plan for purposes of enhancing the quality and scope of Plan options and Services provided to you and Participants. If you do not wish to grant such access to Plan- level and Participant-level information, you may Notify us, and we will remove such access.

   Alternative Election:

   ______ Do not grant financial professional(s) access to Plan-level and Participant-level information

   ______ Do not grant financial professional(s)' staff associates access to Plan- level and Participant-level information.

   ______ Do not grant financial professional(s)' broker dealer access to Plan-level and Participant-level information.

B. Our Rights and Duties

1. ***Status.** Nothing in this Agreement, nor in the provision of Services, makes us a party to, or a fiduciary or administrator regarding, the Plan, any Plan Entity or any Investments.

2. ***Limitation on Our Duties.** We will not be under any duty:

   - to take any action with regard to any Plan Entity, unless we specifically agree in writing to do so;
   - to inquire into any Notice, communication, or other matter regarding any Plan Entity or Participant;
   - to inquire about the status or performance of the Plan, any Plan Entity, or any successor trust, custodian or insurance company;
   - to determine if a Participant qualifies as a "select group of management or highly compensated employees" for ERISA purposes;
   - to enforce any provision of the Plan or any trust or other arrangement informally funding or financing the Plan;
   - to act beyond a duty of ordinary care; or
   - to perform Services regarding any assets that are not Investments or their proceeds.

   Our duties and performance under this Agreement do not give us knowledge of any underlying fault or problem with regard to any Plan, Plan Entity, or Investment.

3. ***Right to Rely.** We may rely conclusively on any Notice we receive. We may also rely on all documents and information provided to us by you as being timely, complete and accurate. We will not be responsible for any improper performance of, or failure to perform, any Service due, in whole or in part, to receipt of untimely, inaccurate, incomplete, or ambiguous data needed to perform that Service. We will not have any liability for any losses that may arise from the acts, omissions, delays, or inaction of any other person. We will not have any responsibility to any Plan Entity for the tax treatment of the Plan, any Participant, or any transfer of Investments.

C. Your Representations and Duties

1. **Provide Documents.** You agree to provide us with a copy of all Plan Documents, forms and administrative procedures relating to the Plan, and such other information and documents as needed by us to provide Services to the Plan. You agree to promptly provide us with all amendments or modifications to the Plan Documents and all such other information as we may reasonably request to perform Services pursuant to this Agreement.

2. **Coordination of Services.** You shall appoint one or more employees in a form designated by us to act as your representative to coordinate administrative Services with us. If there is a change in the appointed employee(s), you agree to inform us in a form designated by us.

3. **Employer Responsibilities.** You agree to fulfill the Employer Responsibilities described herein and in Attachment B as a condition to our performance and obligations under this Agreement.

D. *Limitation of Liability.

Notwithstanding anything to the contrary in this Agreement, neither Party will be liable to the other for any consequential, incidental, indirect, special, exemplary or punitive damages in connection with this Agreement, including the indemnification provision, even if such Party was advised of or could have foreseen the possibility of such damages.

E. Apportionment of Liability

Each Party has an obligation to fulfill its responsibilities and duties under this Agreement. If for any reason (other than the other Party's gross negligence, willful misconduct or bad faith) a Party suffers a loss, claim, damage or liability due to the other Party's breach of this Agreement or under the Indemnification provision ("Damaged Party"), then the amount of direct damages suffered by the Damaged Party as a result of such loss, claim, damage or liability (as determined by a court of proper jurisdiction or a neutral third party agreed to by the Parties), shall be offset by an amount that is proportionate to reflect the other Party's relative economic interests and relative fault with respect to such loss, claim, damage or liability on the one hand, and the Damaged Party's on the other hand, in the matters contemplated by this Agreement and any other relevant equitable considerations.

F. *Records and Reports

One hundred eighty (180) days after we furnish any records or reports, we will be released and discharged as to any matters arising from the information in the records and reports, except with respect to any matter as to which you have filed a written objection within the one hundred eighty (180) day period. The Parties agree to provide to each other, on a timely basis, such reports and records as the other may reasonably require in the performance of their respective obligations under this Agreement. This includes during the orderly termination of this Agreement.

G. *Indemnification

Except as otherwise provided, each Party (as the "Indemnifying Party") agrees to indemnify and hold harmless the other Party and its affiliates, officers, directors, employees and agents (each an "Indemnified Party") against any Covered Claim, as defined in this paragraph. A "Covered Claim" is a written threat, warning, notice, or claim that is asserted against an Indemnified Party to the extent such written threat, warning, notice, or claim is based on breach of a legal duty by the Indemnifying Party or its employees, subcontractors or agents. For purposes of the foregoing, "breach of a legal duty" means a material breach of this Agreement or material non-compliance with any law, rule, or regulation that is directly applicable to this Agreement by the Indemnifying Party. The Indemnified Party will give prompt written Notice to the Indemnifying Party of the assertion of the Covered Claim, and a copy of all papers served upon or received by the Indemnified Party regarding the Covered Claim. The Indemnifying Party will reimburse the Indemnified Party for actual out-of-pocket expenses reasonably incurred in connection with a Covered Claim, including damages, costs, fees, fines, expenses and other items of monetary relief that are awarded against the Indemnified Party by a court, regulatory authority or arbitrator in connection with the Covered Claim. Each Party agrees that, whenever reasonably possible, the Parties will reach a mutually acceptable agreement regarding control of the defense of a Covered Claim. Each Party further agrees that it will provide reasonable assistance regarding defense of any Covered Claim, whenever reasonably requested by the other Party and will otherwise cooperate in the defense of a Covered Claim. No settlement of a Covered Claim and no admission regarding an Indemnified Party's interests shall be made by the Indemnifying Party without the prior written consent of the Indemnified Party. Likewise, no settlement of a Covered Claim and no admission regarding an Indemnifying Party's interests shall be entered into by the Indemnified Party without the prior written consent of the Indemnifying Party. Notwithstanding anything to the contrary in this Agreement (except the Limitation of Liability provision), and to the extent permitted by law, the indemnification provisions of this Agreement will not be deemed to waive or limit any other rights available to the Parties.

H. Our Fees

1. ***Obligation to Pay Fees.** Fees will be in the amount and collected as described under Article V – Fees. We will collect Fees by billing you. Unless otherwise noted, one-fourth of the full amount of our annual Fee will be billed to you in arrears at the end of each calendar quarter. This amount will be paid to us directly by you.

2. **Change to Fees by Notice.** We retain the right to change our Fees by Notice to you, effective sixty (60) calendar days after the giving of the Notice, subject to any guarantees in Article V – Fees.

3. **Other Changes to Fees**: We have made various Service and Fee commitments in this Agreement based on a variety of facts and circumstances concerning each Plan and, to the extent that these facts and circumstances change with regard to

   a Plan, we may not be able to provide Services to that Plan for the Fees under the new facts and circumstances. As a result, we retain the right to change our Fees and Services by Notice to you.

   a. **Changes to Fees by Major Business Change.** There may be changes in Fees, including those on account of a Major Business Change. Those changes may result in an increase in Fees or a decrease in Fees.

   b. **Fees for Additional Services**. From time to time, we may agree to provide services other than the Services specifically described in this Agreement. These additional services may require additional fees, charges, or expenses that may be treated as Fees.

   c. **Repetition of Services.** If it is necessary for us to repeat any portion of our Services due to untimely, inaccurate, incomplete, or ambiguous data needed from you to perform a Service, we may charge additional Fees. The Fees will be based on the Service performed and any actions necessary to correct processing of the untimely, inaccurate, incomplete, or ambiguous data.

   d. **Work with Third Parties.** If you authorize a new or additional party to consult with us with respect to a matter in which we are providing or have provided Services, we may charge Fees for the work required to assemble and transmit data and documents. We reserve the right to require payment prior to the Services being performed.

4. **Nonpayment of Fees.** If you do not pay our billed Fees within ninety (90) days of receipt of the invoice, we reserve the right to terminate this Agreement or to discontinue provision of Services to the Plan, including access to the website and preparation of periodic Participant and company reports. Additionally, we reserve the right to liquidate any Investments up to the amount of the outstanding Fees and use the proceeds to pay our Fees. If such assets are held in a Trust for which Principal Trust Company or some other trust company is serving as trustee, you authorize Principal Trust Company or such other trust company to pay the Fees from Trust assets.

I. Duration and Termination of Agreement

1. **Duration of Agreement.** This Agreement will remain in effect indefinitely. It will be fully binding on the Parties. It will also extend to their respective successors and assigns. This Agreement may, however, be terminated by one of the Parties on at least sixty (60) days prior written Notice to the other. (The period between the Notice of, and the date for, termination of this Agreement will be referred to as the "Termination Period" below.)

2. **Effect of Termination**. During the Termination Period, we will:

   - accept Deposits and Notices regarding the allocation of Deposits except for the last ten (10) Business Days of the Termination Period,

   - accept Notices regarding transfers between Investments except for the last ten (10) Business Days of the Termination Period, and

   - cease to accept Notices regarding transfers between Investments when it is not possible for the Investments described in such Notices, due to their

     operation or issues of timing or other restrictions of the documents governing such Investments, to be liquidated prior to the end of the Termination Period.

3. ***Final Reports.** We will provide to you a final report with regard to all Investments and Recordkeeping Accounts as of the end of the Termination Period. We will not be obligated to make any further reports regarding the Plan or any portion of the Plan, except as described under "Records and Reports" above and "Cooperation" below.

4. **Termination of Less Than All Services.** The termination of less than all Services may be considered a Major Business Change.

5. ***Cooperation.** The Parties agree to cooperate in all actions regarding the operation and termination of this Agreement. Any actions required to terminate this Agreement are to be completed as soon as possible. This cooperation will include the continued provision of information and reports between the Parties that is reasonably needed to affect the transfer of data and Investments necessary to the operation of this Agreement.

J. *Confidentiality

1. **Confidentiality.**
   - **a.** For purposes of this Agreement, a Party's "Confidential Information" consists of: (i) all non-public information (including but not limited to trade secrets, proprietary information, and information about products, business methods and business plans) relating to that Party's business that is either marked or otherwise identified as confidential or proprietary, or that a reasonable person would understand to be considered confidential by that Party (even if not so marked or identified); and (ii) all information that a Party is obligated by law or contract to treat as confidential for the benefit of third parties, including but not limited to personal, financial, and/or health information about individuals who have applied for or purchased insurance or financial products or services from us, including Participants in your Plan.

   - **b.** Each Party acknowledges that, in connection with the performance of this Agreement or otherwise in the course of its dealings with each other, it may receive Confidential Information from the other Party or may otherwise have access to or learn of the other Party's Confidential Information. In the absence of the disclosing Party's prior written consent to a specific disclosure or use, the receiving Party will not disclose to any third party any of the disclosing Party's Confidential Information, either orally or in writing. Confidential Information that is provided by the disclosing Party to the receiving Party will be used by the receiving Party and its agents only for the purpose for which it was provided, and access to such information will be restricted to individuals who require the information (or access to the information) to further that purpose.

2. **Notification obligation**. Each Party will, upon learning of any unauthorized disclosure or use of the other Party's Confidential Information, Notify such other Party promptly and cooperate fully with such Party to protect its Confidential Information.

3. **Disclosure required by law.** If a Party believes it is required by law or by a subpoena or court order to disclose any of the disclosing Party's Confidential Information, then prior to any disclosure that Party will promptly Notify the other Party in writing, attaching a copy of the subpoena, court order or other demand, and that Party will make all reasonable efforts to allow the other Party an opportunity to seek a protective order or other judicial relief.

4. **Non-restricted information.** Nothing in this Agreement will be construed to restrict disclosure or use of information that:

   - **a.** was in the possession of or rightfully known by the receiving Party, without an obligation to maintain its confidentiality, prior to receipt from the disclosing Party;

   - **b.** is or becomes generally known to the public without violation of this Agreement;

   - **c.** is obtained by the receiving Party in good faith from a third party having the right to disclose it without an obligation of confidentiality;

   - **d.** is independently developed by the receiving Party without the participation of individuals who have had access to the disclosing Party's Confidential Information.

5. **Duration of obligations.** The obligations imposed by this Agreement with respect to Confidential Information will survive termination of this Agreement and will remain in effect with respect to each item of Confidential Information until that information becomes unprotected under the terms of the paragraph above titled "Non-restricted information". However, if applicable law sets a maximum period for the duration of obligations of nondisclosure and non-appropriation of Confidential Information, the obligations imposed by this Agreement with respect to each item of Confidential Information (other than trade secrets and other than information about individuals that is protected by law) will remain in effect only until such period expires.

6. **Retention of records.** The receiving Party agrees that upon request of the disclosing Party, the receiving Party will return or destroy all tangible items and destroy all electronic items, as specified by the disclosing Party, which contain any of the disclosing Party's Confidential Information, including all copies, abstractions and compilations thereof, without retaining any copies of the items required to be returned or destroyed. However, the receiving Party is not obligated to return or destroy Confidential Information that: (i) is required by law to be retained, but then only for the time period required, (ii) is commingled with other information if it would pose a substantial administrative burden to segregate and destroy such information, or (iii) is contained in an archived computer system or backup made by the receiving Party in accordance with its standard security or disaster recovery procedures; however in each case, the retained documents will eventually be erased or destroyed in the ordinary course of records management and/or data processing procedures, and the receiving Party remains fully subject to the Confidentiality obligations in this Agreement until the eventual destruction. The receiving Party's disposal of the disclosing Party's customer information will

comply with all laws applicable to the destruction of nonpublic personal information.

K. Data Security.

1. **Definitions.**
Capitalized terms used in this section entitled Data Security shall have the meanings set forth in this Section.

   a. **"Authorized Employees**" means our employees who have a need to know or otherwise access Participant-level Information to enable us to perform our obligations under this Agreement.

   b. **"Authorized Persons**" means (i) Authorized Employees; and (ii) our contractors, agents, suppliers and auditors who have a need to know or otherwise access Participant-level Information to enable us to perform our obligations under this Agreement, and who are bound in writing by confidentiality obligations sufficient to protect Participant-level Information.

   c. **"Data Protection Laws**" means any law or regulation related to the privacy, security, and protection of Non-Public Participant-level Information, including state breach notification laws, state and federal privacy and cybersecurity laws and other consumer protection laws (e.g. California Civ. Code s. 1798.82(a), NY DFS Cybersecurity Requirements, Gramm-Leach- Bliley Act).

   d. **"Non-Public Participant-level Information**" means (i) Personal Information that is not publicly available concerning an individual, which because of name, number, personal mark, or other identifier can be used to identify such individual, in combination with any one or more of the following data elements: (i) social security number, (ii) drivers' license number or non-driver identification card number, (iii) any security code, access code or password that would permit access to an individual's financial account; and other information protected from public disclosure by applicable Data Protection Laws.

   e. **"Participant-level Information**" means information provided to us by you or at your direction, or to which access was provided to us by you or at your direction that: identifies or relates to an identified natural person.

   f. **"Security Breach**" means any act or omission that results in the material compromise, misuse, or unauthorized access or acquisition of Non-Public Personal Information.

2. **Standard of Care**

   a. We acknowledge and agree that, in the course of our engagement by you, we may receive or have access to Participant-level Information, including Non-Public Participant-level Information. We shall comply with all laws and regulations related to such Participant-level Information.

   b. You acknowledge and agree that you are the owner of all Plan and Participant-level Information provided to us. You shall comply with all applicable laws and regulations related to such Participant-level Information.

3. **Information Security**
   a. We shall implement reasonable administrative, physical and technical safeguards to help protect Non-Public Participant-level Information as prescribed by applicable Data Protection Laws and accepted industry practices such as the National Institute of Standards and Technology Cybersecurity Framework (NIST-CSF).

   b. At a minimum, our safeguards for the protection of Non-Public Participant- level Information shall include: (i) limiting access of Non-Public Participant- level Information to Authorized Persons; (ii) securing the transmission, storage and disposal of Non-Public Participant-level Information; (iii) conducting background checks on Authorized Employees consistent with applicable law; (iv) establishing a written incident response plan, and (v) providing appropriate privacy and information security training to Authorized Employees. If Non-Public Participant-level Information is provided by us to one or more unaffiliated third parties for processing and/or storage, we will conduct periodic assessments of such third parties based on the risk they present and the continued adequacy of their cybersecurity practices.

   c. You shall implement reasonable administrative, physical and technical safeguards to help protect Non-Public Participant-level Information you maintain or transmit on behalf of the Plan as prescribed by applicable Data Protection Laws. Safeguards shall include, but not be limited to, security assessments with third parties hired by you to provide Plan services (e.g. payroll, benefits aggregator, TPA, etc.).

4. **Security Breach Procedures**

   a. Once we become aware that a security incident has or may have occurred, we will conduct an investigation. Steps are immediately taken to help mitigate any known risks and our incident response plan is initiated and executed.

   b. We shall promptly Notify you once a determination that a Security Breach has occurred and the potential impact to you has been assessed based on our established incident response plan.

   c. We agree that we will not reference you by name to any third party with respect to such Security Breach unless approved in writing by you or required by law or regulation.

   d. We agree to fully cooperate with you as mutually deemed necessary to protect your rights relating to the use, disclosure, protection and maintenance of Participant-level Information.

e. Should our investigation support a conclusion that we contributed to or were the source of compromised credentials resulted in a Security Breach, we will be responsible for all reasonable costs associated with responding

to, and mitigating damages caused by, any Security Breach, including credit monitoring services, credit protection service, credit fraud alerts and/or similar services which you, in consultation with us, deem necessary.

f. You shall promptly Notify us in the event of a Security Breach with respect to your systems or the systems of third parties hired by you. We may take additional security measures we deem appropriate or reasonably requested by you as a result of your Security Breach.

5. Security Assessment

At least once per year, upon request, we will provide instructions to you to access our SOC1 report issued by an independent auditor and we will provide a third party executive summary document of our penetration test issued by an independent assessor.

6. *Disposition of Participant-level Information

Upon termination of this Agreement, at your request we shall destroy or return to you all Participant-level Information used to perform this Agreement (which has not otherwise been returned or destroyed pursuant to our normal document retention policies). However, we are not obligated to return or destroy Participant-level Information that: (i) is required by law to be retained, but then only for the time period required, (ii) is commingled with other information if it would pose a substantial administrative burden to segregate and destroy such information, or
(iii) is contained in an archived computer system or backup made by us in accordance with our standard security or disaster recovery procedures; however in each case, the retained documents will eventually be erased or destroyed in the ordinary course of records management and/or data processing procedures, and we remain fully subject to the security obligations in this Agreement until the eventual destruction.

7. Cyber Insurance

We maintain network security and privacy liability coverage for events affecting us, our affiliates and events originating from our third party vendors.

L. Miscellaneous

1. **Assignment - Rights.** Neither this Agreement, nor any right, title, interest, nor performance with regard to this Agreement may be alienated, assigned, anticipated, in any manner, without the express written agreement of both Parties, which consent will not be unreasonably withheld or delayed. Notwithstanding the foregoing, we may assign our rights, duties, and obligations under this Agreement to an affiliate without your consent. We will Notify you of any such assignment.

2. **Amendment.** No variations, modifications, or amendments of this Agreement, or any term or condition, will be binding on either Party, unless made by:

   - written agreement executed by both Parties, effective as agreed on,
   - Notice from you to us of a change in the name of the Plan,
   - thirty (30) day advance Notice to you of changes required by law, or
   - Notice:
     - o regarding changes to this Agreement required by a Major Business Change, effective on the sending of the Notice;
     - o describing changes by us to reflect our assignment of this Agreement to an affiliate, effective on the giving of such Notice; or
     - o describing the changes made under “Enforceability and Severability” below, effective as set out in the Notice.

   This Agreement may be amended in accordance with this section at any time and without the approval of, or Notification to, any other entities.

3. ***Waiver**. It is understood and agreed that no failure or delay to exercise, nor any single or partial exercise of, any right, power, or privilege given or arising under this Agreement will operate as a waiver of future rights to exercise any such right, power, or privilege.

4. ***Construction.** This Agreement will be construed in accordance with the laws of the State shown on the signature page. This Agreement will be construed as if jointly drafted by the Parties and according to the fair intent of the language as a whole. It may not be construed for or against any Party. The term “including” (in its various forms) is used to provide examples only and as being without limitation. Nothing in this Agreement will be taken as amending, modifying, or waiving any terms and conditions of any other agreement, insurance policy, or prospectus. We are only obligated to provide Services and nothing more. While we may, from time to time, agree to perform other or different actions or services with regard to the Plan or other Plans, we are under no obligation to do so. No such obligation is implied in this Agreement or by our performance, nor may any be inferred.

5. **Counterparts; Electronic Signatures.** This Agreement may be executed in counterparts, including both counterparts that are executed on paper and counterparts that are in the form of electronic records and are executed electronically. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. The Parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Agreement and shall be legal and binding and shall have the same full force and effect as if a paper original of this Agreement had been signed using a handwritten signature. The Parties (i) intend to be bound by such signatures, (ii) are aware that the other Party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature.

6. **Enforceability and Severability.** If a court finds that any provision of this Agreement is not enforceable in a particular jurisdiction, the finding will have no effect on the validity or enforceability of the remaining provisions generally, or in any other jurisdiction or as to any other entities not involved in that judgment. Such unenforceable provisions will be stricken or deemed modified in accordance with such determination and this Agreement, as so modified, will continue to be in force and effect.

7. ***Force Majeure.** Neither Party will incur liability to the other Party or with respect to us any Plan Entity and will not be responsible for delivery or non-delivery or error in transmission of reports or Notices that is caused by third parties. Neither Party will be responsible for any delay in performance, or non-performance, of any

   obligation hereunder and for any loss to the extent that such delay in performance, or non-performance or such loss is due to forces beyond that Party’s reasonable control including delays, errors, or interruptions caused by unaffiliated third parties, any industrial, judicial, governmental, civil or military action, acts of terrorism, insurrection, or revolution, nuclear fusion, fission or radiation, failure or fluctuation in electrical power, heat, light, air conditioning, or telecommunications equipment, or acts of God.

8. ***Third Party Beneficiaries.** This Agreement has been entered into for the sole benefit of the Parties and their respective permitted successors and assigns. Except as specifically set forth in this Agreement, the Parties do not intend the benefits of this Agreement to inure to any third party, and nothing contained herein shall be construed as creating any right, claim or cause of action in favor of any such third party against any Party hereto.

9. ***Waiver of Jury Trial, and Jurisdiction and Venue**. Any right to trial by jury with respect to any action or proceeding arising in connection with any matter referred to in this Agreement is hereby waived by the Parties hereto. Venue for any judicial proceeding will be in capital city of the State, unless the Parties agree to the contrary. Any objections or defenses based on lack of personal jurisdiction or venue are hereby expressly waived with respect to such action or proceeding.

ARTICLE III - DISPUTE RESOLUTION

A. *General.

In the event that there is any dispute between the Parties:

- regarding this Agreement or any of its terms;
- any Services;
- any rights, duties or obligations explicitly or implicitly granted or arising under this Agreement;
- any transaction made under this Agreement; or
- any construction or application of this Agreement,

the Parties shall try in good faith to first resolve all such disputes as set forth below.

B. *Confidential Discussions.

The Parties agree that all discussions and communications during the dispute resolution process will be, and will remain, confidential to the fullest extent allowed by applicable law. The Parties agree to treat all such discussions and communications as compromise and settlement negotiations for the purposes of any rules of evidence.

C. *Negotiation**.**

If the Parties cannot resolve a dispute in the ordinary course of business, the Party claiming a grievance against the other shall give the other Notice of that grievance in writing, stating the nature of the grievance and the relevant facts, including documentation, and referring to this Article. The other Party will then have fifteen (15) days to make a complete, written response in a Notice to the other. The Parties will meet to discuss the dispute. If practicable and mutually desirable, the Parties will meet in person. If the dispute remains unresolved for any reason after sixty (60) calendar days following the mailing of the response, the Parties will then proceed to mediation.

D. *Mediation.

The Parties will, as soon as commercially reasonable after the sixty (60) day period referred to under Negotiation above, initiate the mediation process and endeavor in good faith to settle their dispute by mediation. Unless the Parties agree to the contrary, the mediation will conform to the then current Mediation Rules for Commercial Financial Disputes of the American Arbitration Association or such similar organization as the Parties may agree. If the Parties cannot agree on a neutral mediator, one will be appointed by the American Arbitration Association in accordance with its mediation rules. Mediation will occur within sixty (60) days of the initiation of the mediation process. The Parties will share equally in the fees and expenses of the mediator and the cost of the facilities used for the mediation but will otherwise bear their respective costs incurred in connection with the mediation. The mediation shall be non-binding. If the dispute remains unresolved for any reason after the completion of the mediation process, a Party may proceed to litigation.

E. *Preliminary Injunctive Relief.

A Party may seek preliminary or temporary injunctive relief from a court if, in the Party's sole judgment, such action is necessary to avoid irreparable harm or to preserve the status quo. If a Party seeks judicial injunctive relief as described in this paragraph, the Parties will continue to participate in good faith in the dispute resolution procedures described above. Venue for any judicial proceeding for preliminary or temporary injunctive relief will be in capital city of the State, unless the Parties agree otherwise. Any objections or

defenses based on lack of personal jurisdiction or venue are hereby expressly waived for the purposes of the injunctive relief described in this paragraph.

ARTICLE IV - ASSET ACTIVITY INFORMATION

A. General. A nonqualified plan is a contractual obligation of an employer to participants in the plan. A nonqualified plan is usually unfunded, although an employer may choose to informally fund or finance its obligations under the plan with assets such as mutual funds or life insurance policies. These assets generally remain subject to the claims of the employer's creditors in the event of bankruptcy or insolvency.

B. Mutual Funds. If you use mutual funds to informally finance your obligations under the Plan, we offer the following Services:

1. **Deposits.** You acknowledge that it is your responsibility alone to determine whether to make a Deposit, when to make a Deposit and the amount of any Deposit. When you submit a Deposit, we will transmit Deposit allocation instructions in accordance with the table below.

Asset Rebalancing Service Election	Our Allocation Procedure
Based on a tolerance level of the Recordkeeping Accounts	On the date we are Notified of a Deposit and we have good order instructions, we will transmit Deposit allocation instructions so that, after giving effect to the Deposit, the percentage variance between the Investments within an Asset Group and the Reference Investments in the Recordkeeping Accounts will be at or below the percentage variance immediately prior to the allocation.

You Have Declined Asset Rebalancing Services	On the date we are Notified of a Deposit and have good order instructions, we will transmit your most recent Deposit allocation instructions.

2. **Redemptions.** You acknowledge that it is your responsibility alone to determine whether to make a redemption, when to make a redemption and the amount of any redemption. When you send us Notice of a redemption, we will transmit redemption allocation instructions in accordance with the table below.

Asset Rebalancing Service Election	Our Allocation Procedure
Based on a tolerance level of the Recordkeeping Accounts	On the date we are Notified of a redemption and we have good order instructions, we will transmit redemption allocation instructions so that, after giving effect to the redemption, the percentage variance between the Investments within the indicated Asset Group and the Reference Investments in the Recordkeeping Accounts will be at or below the percentage variance immediately prior to the allocation.
You Decline Asset Rebalancing Services	On the date we are Notified of a redemption and have good order instructions, we will transmit your most recent redemption allocation instructions.

C. **Corporate-Owned Variable Life Insurance Policies.** If you use Policies to informally finance your obligations under the Plan, we offer the following Services. Note: Services described in this Agreement are available only for Policies issued by Principal Life Insurance Company or its affiliates.

1. **Deposits.** You acknowledge that it is your responsibility alone to determine whether to make a premium payment (for purposes of this Agreement, premium payments may also be referred to as "Deposits"), when to make a premium payment and the amount of any premium payment. Because of these factors, we will not provide regular premium payment reminders. You may refer to the nonqualified Plan Sponsor website or to your designated nonqualified client service representative for specific payment options and information.

   a. **Application of Deposits Across Multiple Policies.** If you have multiple Policies, the Deposits will be applied among the Policies based on the amount of premium needed to keep the Policies funded at proportionate levels. You may direct other Deposit application instructions across the Policies by giving us prior written Notice.

   b. **Deposits When Policy Loans Are Present.** The Policies provide that when a Policy has an outstanding loan, any money paid into the Policy will first be applied toward the loan unless the Policy owner specifies otherwise. For this reason, if you have a Policy with a loan, any Deposit will be applied toward the loan first unless you Notify us that the Deposit is to be applied as premium payment rather than loan repayment. See your Policy prospectus regarding Policy loans for further information.

   c. **Allocation of Deposits to Separate Account Division(s).** When you submit a Deposit, we will transmit Deposit allocation instructions among the separate account divisions in accordance with the table below.

Asset Rebalancing Service Election	Our Allocation Procedure
Based on a tolerance level of the Recordkeeping Accounts	On the date we are Notified of a Deposit, and we have received your good order instructions, we will transmit Deposit allocation instructions based on the allocation of the most recent asset rebalance activity.
If You Decline Asset Rebalancing Services	On the date we are Notified of a Deposit and we have received good order instructions, we will transmit your most recent Deposit allocation instructions.

2. **Policy Loans.** If you want to take a Policy loan, you can Notify us to send you the appropriate Policy loan forms. We generally are able to send the forms within one Business Day from the day we receive your Notice. Your designated nonqualified client service representative will provide instructions for completing and returning the appropriate Policy loan forms. You acknowledge that it is your responsibility alone to determine whether to take a Policy loan, when to take a loan, the amount of any loan, and on which Policy(ies) to take a loan. You also acknowledge that it is your responsibility to consult with a tax adviser to discuss any tax implications associated with taking a loan. See the Policy prospectus for further information about Policy loan provisions.

3. **Policy Surrenders.** If you want to partially or fully surrender a Policy (also called a "redemption"), you can send us a Notice and we will send you the appropriate Policy surrender form. We generally are able to send the forms within one Business Day from the day we receive your Notice. Your designated nonqualified client service representative will provide instructions for completing and returning the appropriate Policy surrender forms. You acknowledge that it is your responsibility alone to determine whether to request a Policy surrender, when to request a surrender, the amount of any surrender, and on which Policies to make a surrender. You also acknowledge that it is your responsibility to consult with a tax adviser to discuss any tax implications associated with a surrender. See your Policy prospectus for further information about Policy surrender provisions.

4. **Insurance policies with another carrier other than Principal.** If you informally finance with a life insurance policy from another issuer, you will need to obtain all policy-related statements and reports directly from the issuer of the policy. We will not provide detail for assets that are not record kept by us unless you Notify us of the detail you want included in the report and we agree to include such detail. In any event, we will not verify the accuracy of any information you provide to us. If we receive the detailed information within five (5) Business Days following the end of the calendar quarter, we will make every effort to include the information on the Plan Sponsor report.

ARTICLE V - FEES

You agree to pay the following Fees in exchange for the Services provided under this Agreement: If you select Principal Trust Company or another trustee to provide Rabbi Trust services, those services will be provided by Principal Trust Company or the other trustee pursuant to a separate trust agreement. The following Fees do not include fees for services provided by Principal Trust Company or another trustee.

Plan set-up Fee: $ 1,000

Annual record-keeping Fees (Flat Fee & Participant Fee) Annual Flat Fee: $ 2,000

Annual Participant Fee based on the number of active participants:

Up to 25	$ 100 per participant
Next 75	$ 75 per participant
Additional Participants after 100	$ 50 per participant

This Fee is based on:
Investments: $ 0
Annual Deposits: $ 4,000,000

These Fees are based on Services provided to a Plan informally financed with life insurance Policies.

ATTACHMENT A - DESCRIPTION OF SERVICES

A. **In-Scope Services**

1. **Plan Installation and Conversion**. We will review administration requirements with your authorized representative and establish a timetable for set-up and/or conversion. At your request, we will provide a model Plan document for review with your legal counsel. If you choose to utilize our model Plan Document, the document may be updated from time to time due to regulatory or legislative changes. We will Notify you if changes are made to the model Plan document. If you choose not to adopt the changes, you agree to Notify us. Otherwise we will consider the changes to your Plan Document as adopted by you. We will provide a standard form Participant enrollment kit and forms for notices to Participants, including non- customized Participant investment education materials, notice of change in available Investment alternatives, and "black-out" notice for your review. We will establish records for Participants contributing to, or on whose behalf contributions are or have been made to, the Plan, including the conversion of records from prior record keeper. We will set up Plan Sponsor and Participant information on required databases and software for secure online services. We will provide Plan procedures documentation (electronic or hard copy) to be used by you or Participants in carrying out daily Plan administration activities. We will process Participant enrollments as they are received whether on paper form or electronically.

2. **Ongoing Recordkeeping and Administrative Services**. We will receive and process periodic payroll feeds to Participant accounts based on information provided by your authorized representative. Additional fees may apply if payroll feeds are submitted more than twice per month and from more than one source (i.e. more than one payroll file). We will receive and process employer contributions, if any. We will process new Participant enrollments on an ongoing basis. We will maintain Plan-level and individual Participant-level account records, including records of all receipts and disbursements, earnings and expenses, and separate accountings for different contribution types. All records shall be maintained on a daily valuation recordkeeping system. We will provide you and Participants with internet access to account information on a secure website. We will execute Participant-initiated Reference Investment transactions including fund balance transfers and future Reference Investment allocation changes submitted in good order. We will process domestic relations orders as instructed by your authorized representative. We will assist with processing and investigating the facts concerning all appeals of a claim denial or dispute for a final decision by your authorized representative. We will provide a secure website with access to Participant-level and employer-level Plan account information. We will make available Participant statements and Plan Sponsor reports each calendar quarter and annually each year.

3. **Asset Administration Services.** We will provide you with access to a secured website for you to view and monitor Investment information. We will make available asset reports each calendar quarter and an annual report each year. Reports will be made available electronically on the website as soon as practicable after the end of the calendar quarter following the receipt of complete information needed to produce the report.

   a. For mutual funds, we will make available an annual report showing realized/unrealized gains and losses. We have standard procedures for transmitting your transaction instructions to the trustee, custodian or other person responsible for executing transactions for your mutual funds. With respect to mutual fund Deposits, “good order instructions” means (i) we have received your mutual fund Deposit in immediately available funds and (ii) we have received clear instructions indicating the Asset Groups to which the Deposit is to be applied. If the trustee, custodian, or other person has received your mutual fund Deposit but we have not otherwise received good order instructions from you, the trustee, custodian, or other person will hold or return the mutual fund Deposit according to the terms of the arrangement between you and it.

   b. We have standard procedures for transmitting your transaction instructions to the trustee, custodian or other person responsible for executing transactions for your Policy(ies). With respect to Policy Deposits or premium payments, “good order instructions” means (i) we have received your Policy Deposit in immediately available funds and (ii) we have received your clear instructions indicating the Asset Groups to which the Policy Deposit are to be applied. If the trustee, custodian, or other person has received your Policy Deposit but we have not otherwise received good order instructions from you, the trustee, custodian, or other person will hold or return the Policy Deposit according to the terms of the arrangement between you and it.

   The foregoing is a general description of the in-scope services expected to be provided by us under this Agreement. We will provide further details as necessary, including additional terms, conditions and limitations, that may apply with respect to each Service. If you decline our Asset Rebalancing Services set forth in Attachment C, we will not monitor or take any action with respect to your Investments except as you give us Notice.

B. Out of Scope Services.
The following services are out of scope but are available for an additional charge (i) processes or procedures that vary from our standard plan terms and electronic processes,
(ii) work required to correct Plan failures other than Plan failures for which we are required to indemnify you under the Agreement, (iii) research to comply with audit requests, (iv) customized enrollment or Participant education materials, (v) travel to your site or other sites for annual visits or education support, and (vi) other services not specifically listed in this Description of Services.

ATTACHMENT B - EMPLOYER RESPONSIBILITIES

Both Parties have certain responsibilities under this Agreement. In order for us to provide the Services described under this Agreement, it is necessary for you to fulfill the following responsibilities:

A. Electronic Services. You will use electronic Services we provide to obtain and monitor Plan records and reports, manage the Plan and to accurately Notify us of Participant information. If Participant transactions are permitted by the Plan, you will permit Participants to manage their Recordkeeping Accounts electronically. If you use paper forms for Participant transactions, additional fees may apply.

B. Plan Documents. You will be responsible for reviewing Plan Documents with your legal adviser, providing complete copies of Plan Documents and any amendments to us on a timely basis, and retaining original copies of Plan Documents for your records.

C. Asset Rebalancing. You will either elect or decline our Asset Rebalancing as set forth in Attachment C. If you decline Asset Rebalancing, you will be solely responsible for Notifying us of allocation and rebalancing instructions.

D. Eligibility. You will determine who is eligible to participate in the Plan and communicate that to us. You will review the census in our reports periodically to ensure it matches your internal records.

E. Enrollment and Elections. You will complete and return data requests to us in a timely manner and you will complete Participant communications on a timely basis. If you receive Participant elections outside the online service, you will timely Notify us of the elections and retain the original documentation for your records. You will select Reference Investments, provided that additional fees apply if you select more than 32 Reference Investments, or Reference Investments that are not on our platform such as employer stock.

F. Payroll and Payment Processing. You will coordinate your payroll accounting and tax reporting functions to correctly administer deferrals and payments under the Plan. You will process Plan payments to Participants through your payroll system or using third parties engaged and supervised by you.

G. Benefit Events and Beneficiary Designation. You will promptly Notify us of benefit event information, such as separation from service, death or disability of a Participant or death of a beneficiary. You will educate Participants regarding the online beneficiary designation process and promptly Notify us of any other designation for which you will retain the original documentation.

H. Review of Plan Reports. Because the tax rules applicable to nonqualified deferred compensation plans, in particular section 409A of the Internal Revenue Code, are very strict, it is critical that you monitor Participants' 409A accounts closely and Notify us immediately of any discrepancies regarding deferral amounts or payment timing. You acknowledge it is your responsibility to check the Participant census against your records to ensure that benefit events such as separation from service, disability or death, are properly reflected. You acknowledge it is also your responsibility to perform a check that Plan deferrals and distributions in your payroll records match those in our reports.

I. Assets & Liabilities. You acknowledge that the values of the Investments and Plan liabilities will not be the same. This may be due to asset costs or taxes. The timing of Investment activity may differ than the timing of Plan liability activity. Asset Deposits may be a different amount than the Plan liability contributions. Investment withdrawals may be a different amount than the liability benefit payment. Investment allocations may be different than the Plan liability Reference Investment allocations.

J. Authorizations. You direct us to transmit your transaction and allocation instructions to the trustee, custodian or other entity responsible for executing instructions. You will provide the necessary authorization to direct the trustee, custodian or other entity to accept your instructions as transmitted by us pursuant to this Agreement and to execute those instructions.

K. Company Stock Transactions (if applicable). You will Notify us if your stock is publicly traded and employer stock is a Reference Investment. You will Notify us if Participants are subject to SEC reporting of Participant changes in an employer stock Reference Investment. You are solely responsible for filing any necessary reports with the SEC. You will Notify us when a Participant modifies the Participant's position in an employer stock Reference Investment using a method other than those methods we provide.

ATTACHMENT C - ASSET REBALANCING INFORMATION

A. Asset Rebalancing Services.

We offer Asset Rebalancing Services as a tool to help you manage the assets and liabilities in a consistent way. You may elect one Asset Rebalancing Service for each separately identifiable Asset Group. There are no additional Fees if you elect an Asset Rebalancing Service. Your election in this Attachment of an Asset Rebalancing Service constitutes your standing allocation instructions to us for Deposits, surrenders and redemptions. Regardless whether you elect to use our Asset Rebalancing Service, we will provide you with a report on our website showing your current Investments.

B. Asset Rebalancing Service Options

Asset Rebalancing Based on a Tolerance Level of the Recordkeeping Accounts. By electing this Service, you direct us to monitor the variance between the percentages of the Investments within an Asset Group and the percentages of the Reference Investments in the Recordkeeping Accounts and, if necessary, to transmit rebalancing instructions to keep the variance within the tolerance level you have selected. This means:

- You provide us with a Notice of the Investments, Reference Investments, how each Reference Investment is mapped to a relevant Investment, and the initial amounts for the Recordkeeping Accounts.
- You specify the rebalancing tolerance level; e.g., 5%.
- For each individual Investment in the Asset Group, we will determine its percentage of the total Investments in the Asset Group ("actual asset percentage").
- For the relevant Reference Investment, we will determine its percentage of the total Reference Investments in the Recordkeeping Accounts ("actual liability percentage").
- After each Business Day, we will determine the variance between the actual asset percentage and the actual liability percentage.
- If the variance is equal to or exceeds the specified tolerance level, we will transmit rebalancing instructions on the next Business Day, so the variance is within the tolerance level.

Example:

Asset Group	**$**	**Asset %**	**Recordkeeping Accounts**	**$**	**Liab. %**	**Variance**
Investment Choice A	11	22%	Reference Investment A	25	25%	(3%)
Investment Choice B	15	30%	Reference Investment B	25	25%	5%

Investment Choice C	24	48%	Reference Investment C	50	50%	(2%)
Total	$50			$100		

Tolerance level = 5%

In this example, an Asset Rebalancing transaction is triggered because the variance for Investment B has reached the tolerance level. The entire Asset Group is rebalanced to bring the variance of each Investment within the tolerance level.

C. Additional Information on Asset Rebalancing Services

1. **Asset Rebalancing Based on Recordkeeping Accounts.** Asset Rebalancing is based on the variance between the actual allocation percentages of the Asset Groups and the Recordkeeping Accounts. It does not mean that the dollar amount of the Investments will equal the dollar amount of the Recordkeeping Accounts. It also does not mean that the dollar amount of an Investment transaction will equal the dollar amount of any transaction within the Recordkeeping Accounts. An exact dollar match is not possible due to reasons such as differences in the timing of transactions, the amount or types of transactions, costs (if any) associated with the Investments.

2. **Valuation Basis.** Asset Rebalancing is based on the Investment values as of the close of the prior Business Day. Market movement on the date of rebalancing is not reflected in the rebalancing transaction. As a result, after a rebalancing transaction is made, the variance at the close of the Business Day on the date of rebalancing may exceed the tolerance you have specified and necessitate another rebalancing on the next Business Day.

3. **Multiple Policies.** If you are using a Policy as an Investment, all Policies in a specified Asset Group are aggregated in performing the Asset Rebalancing Services. If you add additional Policies to a specified asset group, this will trigger an Asset Rebalancing transaction.

4. **Effect of Deposits or Redemptions on Asset Rebalancing.** With respect to mutual funds, if we receive Notice of a Deposit or redemption and have good order instructions by the close of the Business Day on an Asset Rebalancing date, we will adjust the planned rebalancing transaction to reflect the Deposit or redemption received on that same Business Day to determine whether Asset Rebalancing is still necessary or to adjust the rebalancing instructions to reflect the Deposit or redemption instructions.

5. **Effect of Investment Lineup Changes on Asset Rebalancing**. If you request a change to the individual Investment lineup we may conduct an Asset Rebalancing transaction if your variance is out of tolerance. In the event your fund lineup is impacted by unscheduled activity we will work with you to confirm what information from you is needed and to determine effective date of change. This may also result in an Asset Rebalancing transaction.

6. **Asset Rebalancing Unavailable for Policy's Fixed Account.** If you are using a Policy's Fixed Account as an Investment, Asset Rebalancing is not an available service.

7. **Asset Rebalancing May Be Unavailable.** In instances where the issuer of an Investment within the Asset Group restricts transfers, Asset Rebalancing will not be available.

8. **Asset Rebalancing Prior to Activation of the Participant Website**. In instances where implementation of the Participant balances includes a black out period,

   Asset Rebalancing will not take place until you have reviewed and agreed to the loaded Participant balances. At that time, the website will be activated and an asset Rebalance may take place.

9. **Asset Rebalancing after the examination offer (aka free look period).** See your Policy prospectus for further information about Asset Rebalancing following the examination offer period.

10. **Asset Rebalancing for Other Investments.** Life insurance policies issued by an insurance company other than us (or our affiliates) will be excluded from our Asset Rebalancing Services. Other investments, such as company stock, which are not part of our investment platform, will also be excluded from our Asset Rebalancing Services.

11. **Securities Restrictions/Compliance Laws**. To the extent the Asset Rebalancing instructions provided by you conflict with the terms of the Policy or regulations, those terms or regulations will super cede the Services described here.

D. Declination of Asset Rebalancing Services.

You may decline our Asset Rebalancing Services. If you do not wish to use this Service, you acknowledge that you are solely responsible for monitoring and rebalancing your Investments. We will have no responsibility for monitoring your Investments and you will identify a resource at your company that is responsible for monitoring your Investments. If and when you want to initiate an Investment transaction, you will provide us with good order transaction instructions which we will transmit, as set out in Article IV above. You will provide us with a Notice of the Investments and the applicable allocation percentage for each Investment.

E. Asset Rebalancing Service Election.

Mutual Funds Asset Group (if applicable) for:

USANA Nonqualified Deferred Compensation Plan (Nonqualified Deferred Compensation Plan)
If no election is made, you will be deemed to have declined our Asset Rebalancing Services.

You elect to use the following Asset Rebalancing Service:

- Asset Rebalancing based on a tolerance level of the Recordkeeping Accounts

Select tolerance level: 5% 4% 3% 2% 1%

You elect to decline our Asset Rebalancing Services.

Corporate-Owned Life Insurance Asset Group (if applicable) for:
USANA Nonqualified Deferred Compensation Plan (Nonqualified Deferred Compensation Plan)
If no election is made, you will be deemed to have declined our Asset Rebalancing Services.

XX You elect to use the following Asset Rebalancing Service:

- Asset Rebalancing based on a tolerance level of the Recordkeeping Accounts

Select tolerance level: 5% 4% 3% 2% **XX1%**

You elect to decline our Asset Rebalancing Services.

NOTE: Execution of this Adoption Agreement creates a legal liability of the Employer with significant tax consequences to the Employer and Participants. Principal Life Insurance Company disclaims all liability for the legal and tax consequences which result from the elections made by the Employer in this Adoption Agreement. Nothing set forth in this agreement or related documents may be taken or relied upon as legal, tax, investment, or accounting advice, nor as any investment recommendation. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

Principal Life Insurance Company, Raleigh, NC 27612
A member of the Principal Financial Group®

THE NONQUALIFIED DEFERRED COMPENSATION PLAN ADOPTION AGREEMENT

THIS AGREEMENT is the adoption of the Nonqualified Deferred Compensation Plan ("Plan") by **USANA Health Sciences, Inc. (**the "Company") with an **EIN** of **87-0500306**.

WITNESSETH:

WHEREAS, the Company desires to adopt the Plan as an unfunded, nonqualified deferred compensation plan for members of a select group of management or highly compensated employees and under Sections 201(2), 301(a)(3) and 401(a)(l) of the Employee Retirement Income Security Act of 1974 (“ERISA”) or independent contractors; and

WHEREAS, the provisions of the Plan are intended to comply with the requirements of Section 409A of the Code and the regulations thereunder and shall apply to amounts subject to Section 409A; and

WHEREAS, the Company has been advised by Principal Life Insurance Company (“the Recordkeeper”) to obtain legal and tax advice from its professional advisors before adopting the Plan,

NOW, THEREFORE, the Company hereby adopts the Plan in accordance with the terms and conditions set forth in this Adoption Agreement:

ARTICLE I

Terms used in this Adoption Agreement shall have the same meaning as in the Plan, unless some other meaning is expressly herein set forth. The Company hereby represents and warrants that the Plan has been adopted by the Company upon proper authorization and the Company hereby elects to adopt the Plan for the benefit of its Participants as referred to in the Plan. By the execution of this Adoption Agreement, the Company hereby agrees to be bound by the terms of the Plan.

ARTICLE II

The Company hereby makes the following designations or elections for the purpose of the Plan:

2.13 **Effective Date:** This is a newly established Plan, and the Effective Date of the Plan is

September 1, 2021.

2.26 **Plan:** The name of the Plan is

USANA Nonqualified Deferred Compensation Plan.

4.1 **Participant Deferral Credits:** Subject to the limitations in Section 4.1 of the Plan, a Participant may elect to have their Compensation, as elected below, deferred within the annual limits below by the following percentage or amount as designated in writing to the Committee:

Base Salary:

☒ (a) **Base salary**:

maximum deferral: 50 %

☐ (b)Base salary deferral in an amount equal to a 401(k) refund (“**401(k) Refund Offset**”) as defined in Section 2.0 of the Plan:

mandatory deferral: 100 %

Bonus:

☐ (c)**Service Bonus:**

Service Bonus: earned from 1/1-12/31, paid on or around first quarter of the following Plan Year.

maximum deferral: 80 %

☒ (d) **Performance-Based Compensation:**

☒ **Executive Bonus**: earned from 1/1-12/31, paid on or around the first quarter of the following Plan Year and whose election must be no later than six months prior to the end of the earnings period.

maximum deferral: 80 %

☐ (e)Participant deferrals not allowed.

4.1.2 Participant Deferral Credits and Employer Credits – Election Period (Evergreen Elections):

An election made by the Participant shall continue in effect for subsequent years until modified by the Participant as permitted in Section 4.1 and Section 4.2 of the Plan.

4.2 Employer Credits (Section 4.2 of the Plan) and Vesting (Section 6 of the Plan): Employer Credits will be made in the following manner:

☐ (a)Employer Credits not allowed.

☒ (b) **Employer Match**: The Employer may make discretionary credits to the Deferred Compensation Account of each Active Participant in an amount determined each Plan Year by the Employer.

☐☒		(i)	Immediate 100% vesting.	
		(ii)	Number of Years of Service	Vested Percentage
	Less than	1		**0** %
		1		**0** %
		2		**0** %
		3		**100** %
		4		_ %
		5		_ %
		6		_ %
		7		_ %
		8		_ %
		9		_ %
		10 or more		_ %

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

☒ (1) First day the Participant begins to provide services to the Employer and all Participating Employers

☐ (2)Each Crediting Date. Under this option (2), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Discretionary Credit is made to the Deferred Compensation Account.

☒ (c) **Other Employer Credits**: The Employer may make discretionary credits to the Deferred Compensation Account of each Active Participant in an amount determined each Plan Year by the Employer.

☒		(i)	Immediate 100% vesting.	
☐		(ii)	Number of Years	Vested
	of Service			Percentage
	Less than	1		_ %
		1		_ %
		2		_ %
		3		_ %
		4		_ %
		5		_ %
		6		_ %
		7		_ %
		8		_ %
		9		_ %
		10 or more		_ %

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

☐ (1)First day the Participant begins to provide services to the Employer and all Participating Employers

☐ (2)Each Crediting Date. Under this option (2), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Discretionary Credit is made to the Deferred Compensation Account.

Further, an Active Participant shall be fully vested in **ALL** Employer Credits, as noted above, upon the first to occur of the following events:

☐ (a)Full Vesting Age (as defined in Section 2.20 of the Plan) shall mean age_.

☒ (b) Death.

☒ (c) Disability.

☐ (d)Change in Control Event.

If Change in Control or Disability is not a Vesting event, amounts not vested at the time payments due under this Section cease will be:

☐ Forfeited

☒ Distributed upon a Qualifying Distribution Event if vested at that time

4.3 Deferred Compensation Account: A Participant may establish multiple accounts to be distributed upon Separation from Service. Each account may have one set of payment options as permitted in Section
7.1 of the Plan. Additional In-Service accounts may be established as permitted in Section 5.4 of the Plan. The Participant will also be required to elect Separation from Service payment options for each In-Service account established.

5.2 Disability of a Participant: A Participant's becoming Disabled shall be a Qualifying Distribution Event and the Deferred Compensation Account shall be paid by the Employer as provided in Section 7.1 of the Plan.

5.3 Death of a Participant: A Participant's death shall be a Qualifying Distribution Event and the Deferred Compensation Account shall be paid by the Employer as provided in Section 7.1 of the Plan.

5.4 In-Service Distributions: In-Service Accounts are permitted under the Plan:

☒ (a) In-Service Accounts are allowed with respect to:

☐ Participant Deferral Credits only.

☐ Employer Credits only.

☒ Participant Deferral and Employer Credits.

In-service distributions may be made in the following manner:

☒ Single lump sum payment.

☒ Annual installments over a term certain not to exceed **10** years.

If applicable, amounts not vested at the time in-service payments are distributed will be distributed at Separation from Service if vested at that time.

☐ (b)No In-Service Distributions permitted.

5.5 Change in Control Event:

☒ (a) A Change in Control shall not be a Qualifying Distribution Event.

☐ (b)Participants may elect upon initial enrollment to have accounts distributed upon a Change in Control Event.

5.6 Upon an Unforeseeable Emergency (as defined in Section 2.36 of the Plan) Participants may apply to cancel deferral elections and\or have vested accounts distributed upon an Unforeseeable Emergency event.

7.1 Payment Options: If permitted by the plan design, any benefit payable under the Plan upon a permitted Qualifying Distribution Event may be made to the Participant or the Beneficiary (as applicable) in any of the following payment forms, as selected by the Participant, or mandated by the plan provisions in the Participation Agreement:

(a) Separation from Service

☒ (i) A lump sum.

☒ (ii) Annual installments over a term certain as elected by the Participant not to exceed **10** years.

(b) Death shall be paid in a lump sum

(c) Disability shall be paid in a lump sum

(d) Unforeseeable Emergency shall be paid in a lump sum

7.4 De Minimis Amounts. The Employer *may* distribute a Participant's vested balance in all Deferred Compensation Account(s) of the Participant at any time, whether or not a Qualifying Distribution Event has occurred if the balance does not exceed the limit in Section 402(g)(1)(B) of the Code and results in the termination of the Participant's entire interest in the Plan and any other Employer plan subject to aggregation under Section 409A of the Code.

Notwithstanding any payment election made by the Participant, the vested balance in all Deferred Compensation Account(s) of the Participant *shall* be distributed in a single lump sum payment if at the time of a permitted Qualifying Distribution Event that is either a Separation from Service, death, Disability, or Change in Control Event the vested balance does not exceed:

☒ $100,000.

☐ Not Applicable

14. Amendment and Termination of Plan: Notwithstanding any provision in this Adoption Agreement or the Plan to the contrary, Section of the Plan shall be amended to read as provided in attached Exhibit

☒ There are no amendments to the Plan.

17.8 Construction: The provisions of the Plan shall be construed and enforced according to the laws of the State/Commonwealth of **Utah**, except to the extent that such laws are superseded by ERISA and the applicable provisions of the Code.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year stated below.

USANA Health Sciences, Inc.

By: /s/ Michael Sessions

Title: VP of Human Resources

Authorized Person

08/06/2021

Date:

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Kevin G. Guest, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 10, 2021

/s/ Kevin G. Guest
Kevin G. Guest
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, G. Douglas Hekking, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 10, 2021

/s/ G. Douglas Hekking
G. Douglas Hekking
Chief Financial Officer
(Principal Accounting and Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies that the Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. for the period ended October 2, 2021 as filed November 10, 2021 with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USANA Health Sciences, Inc.

Date: November 10, 2021

/s/ Kevin G. Guest
Kevin G. Guest
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies that the Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. for the period ended October 2, 2021 as filed November 10, 2021 with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USANA Health Sciences, Inc.

Date: November 10, 2021

/s/ G. Douglas Hekking
G. Douglas Hekking
Chief Financial Officer
(Principal Accounting and Financial Officer)