

Context of current news:

The #1 news story of this week so far has been Glaxo's widespread fraud throughout China that allowed them to grow sales through a system of bribes and kickbacks.

Citron read the story on Bloomberg, which stated that Glaxo's double digit growth in China was an outlier compared to its results in other emerging markets. We immediately saw the parallel to USANA (NASDAQ:USNA), which has the same outlying growth metrics for a region it deems "Greater China".

Also see:

<http://www.bloomberg.com/news/2013-07-16/sexual-favors-spur-glaxo-s-1-5-billion-china-sales-police-say.html>

<http://www.telegraph.co.uk/finance/newsbysector/epic/gsk/10192777/GlaxoSmithKline-briefs-Serious-Fraud-Office-over-China-case.html>

It is Citron's opinion that Glaxo's problems in China are an ominous predictor of USANA's corporate misdeeds unraveling soon. So this story really boils down to two important questions, which Citron will answer, with the customary analysis and the smoking gun thrown in:

Note: This is not Herbalife, which we do not believe operates illegally in China. **And this is not Nuskin**, which we still believe has abused the direct selling laws in China.

USANA sells digestible products without any license permitting it to do so. And does it so through a means by which their own customers have become their accomplices, as evidenced by arrests of USANA "associates". (Please see [previous Citron article](#) for links.) Out of all of the publically traded MLM companies, it is USNA that is the most flagrant lawbreaker. It has placed itself in the in the crosshairs of Chinese Government enforcement.

This report will answer the following 2 questions:

#1: How important is China to USANA's results?

#2: What is USANA doing to book revenues in China that is illegal, much less unsustainable?

**Is USANA's revenue growth investable?
Or is USANA a ticking time bomb?
Citron presents the facts; you decide...**

Unlike Glaxo, for which China revenues are just a tiny fraction of its worldwide revenues, "Greater China" represents more than **37%** of USANA's current revenues, and a disproportionate **46%** of its global year-over-year revenue growth. In fact, "Greater China" is topic #1 whenever USANA management discusses growth.

Overview

USANA, a well known multi-level marketing company, sells nutritional and food products via a network of independent "associates" in the US, a handful of European countries, and the Far East, 18 countries in all plus Columbia, just announced. The company uses Hong Kong as an operations base from which it distributes product into Mainland China through thousands of Chinese nationals who live on the Mainland. This induces them to violate numerous laws while operating a pyramid scheme. As you will see below, not only does the company have to know about this, it is complicit.

The company's financial disclosures clearly demonstrate this illegal activity is playing an increasing role in USANA's profit picture. **But Citron goes further, revealing the actual details of the recruitment and deployment of Mainland "associates", who can only possibly be operating by violating three or possibly four entire categories of China's laws:**

- Mainland China has strict licensing and labeling laws on for food supplements sold as digestibles for sale within China
- China maintains import laws to strictly control importation of products not legally licensed for sale
- China strictly prohibits all so-called multi-level marketing businesses under its laws against pyramid schemes
- This scheme appears to be avoiding import duties and VAT tax collection

Background: Multi-Level Marketing vs Direct Selling

Multi-level marketing, a business model strictly illegal in China, is one in which companies sell products by recruiting “independent” distributors (USANA deems them “associates”) who purportedly sell the company’s products direct to consumers. But the compensation plans are designed so the “associates” make money primarily by **recruiting new “associates”** -- they make very little by selling the actual products. Spinning dreams of unlimited wealth at lavish conventions ([see link](#)) **one of which is being held in Hong Kong**, the company induces many to enroll with “starter kits” of expensive products most will not ever sell. Once enrolled, they are induced to keep buying, because they will lose their “associates” “commissions” if they do not. Research shows that well over 99% of USANA-enrolled associates lose money and quit, while a very few people at the top of the pyramid make money.

Typically, these businesses appear to be growing very fast while they are “new” to a region. But as in all pyramid schemes, growth depends on ever-larger numbers of new people at the bottom; eventually the market saturates as people learn there is no “easy money”. That has already happened to USANA and other multi-level marketing companies in the US and Europe. So China is a huge attractive market, the biggest untapped growth market left for this scheme.

However, while multi-level marketing and selling USANA nutritional products are **legal** in Hong Kong, these activities are strictly **illegal** in mainland China.

Direct Selling License

China allows direct sales people from USANA to operate under a “Direct Selling License”, which are strictly controlled. USANA bought a small company, BabyCare (acquisition price \$45 million cash plus about \$16m in stock), and can legally hire direct sales people to sell BabyCare’s products from its retail store base. But BabyCare is small, highly limited and geographically restricted market, licensed only in Beijing and three provinces. It is a tiny piece of USANA’s business compared to its mainline food supplement product business. And it cannot sell USANA nutritional products, its main source of revenues, at all within the Chinese mainland, and cannot sell at all using multi-level marketing.

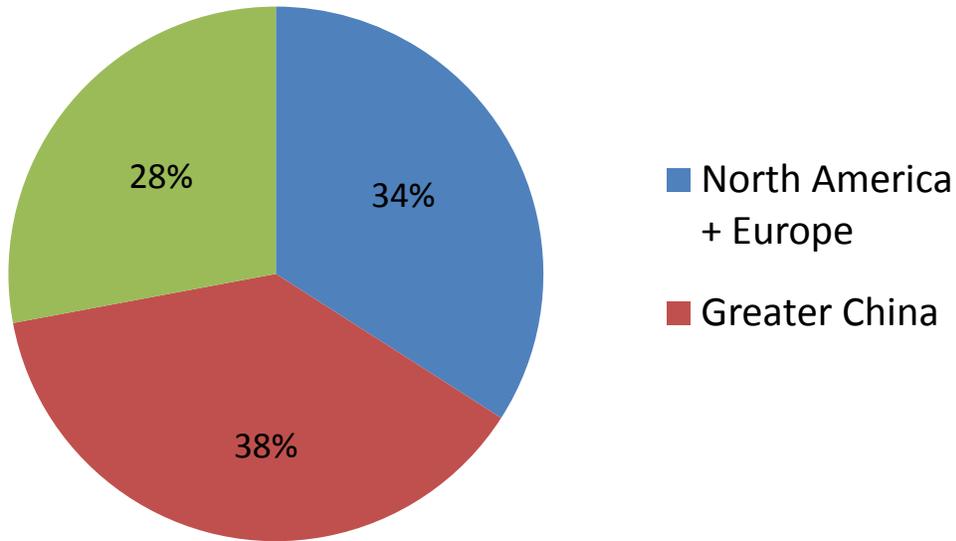
So how does this scheme work? Read on.

USANA by the numbers

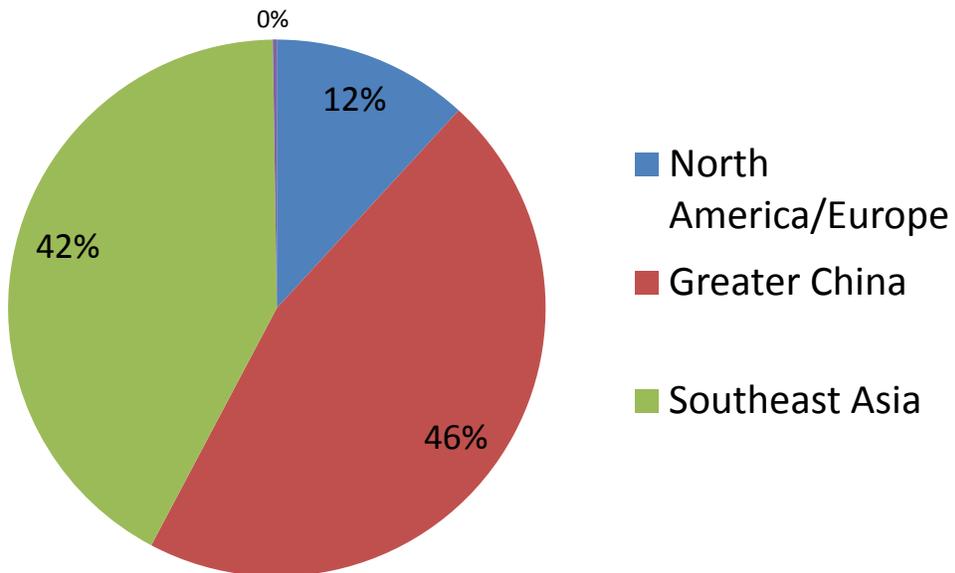
The following revenue table shows exactly how dependent USANA’s business is on growth in China:

| | Mar-12 | Mar-13 | % Increase |
|---|---------------|---------------|------------|
| Net Sales to External Customers (millions USD) | | | |
| Greater China | 56.64 | 62.99 | 11.21% |
| Total Revenues | 154.12 | 169.08 | 9.71% |
| Pctg of Total Revs | 36.75% | 37.25% | |

USANA Associates by Region



USANA Sources of Growth 2011 - 2012

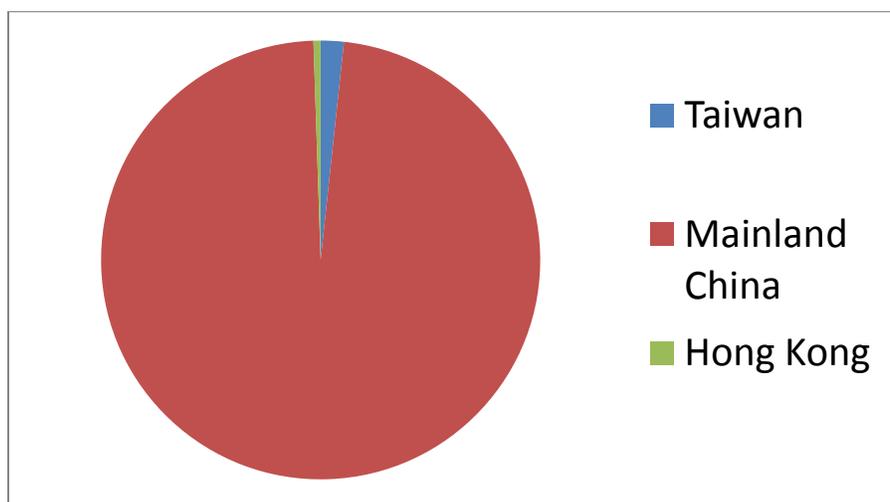


🍋🍋 The Elephant in the Room Question: What is really going on in “Greater China” ?

Citron notes that USANA **never** voluntarily breaks out sub-region data in its filings.

USANA’s defines its “Greater China” region as Mainland China, Hong Kong and Taiwan. This is a classic model of “two ping pong balls and a bowling ball” – two tiny markets and the world’s largest, clumped together. (Management has **never** broken out “BabyCare” product revenue, nor disclosed the number of “associates” operating in the Mainland. Read excerpts of prior conference calls to observe them dance around these questions.)

“Greater China” by Population:



However, it seems its auditors require it to disclose countries representing concentrations more than 10% of revenue, so it gives us the following startling fact: Hong Kong represents largest single sub-region for USANA’s revenue, at 41.60m USD last quarter, surpassing even the United States, with 40.24m USD in the most recent quarter.

| Revenues in sub-regions with 10% or more net sales | | | | |
|---|-------|-------------------|----------------------------|----------------------|
| | | | % of All Revenues | Population |
| United States (North America) | | 40.24 | 23.80% | 313.9 million |
| Hong Kong (Greater China) | | 41.60 | 24.60% | 7.02 million |
| Taiwan | | Not listed | | 23.30 million |
| | | | | |
| Long Lived Assets (millions USD) 10% or more of total | | % Greater than US | % Of all Long-Lived Assets | |
| China | 58.93 | 25.53% | 47.42% | |
| United States | 46.95 | | | |

This is an astonishing claim, considering that the Hong Kong is **less than than 2.5% of the population of the United States**. So how is this possible that Hong Kong represents **24.6%** of USANA’s entire revenue base? Citron will now reveal exactly how it is being done.

USANA’s sales network is operated via an MLM composed of 229,000 “associates” who are responsible for over 91% of the company’s sales. These resellers explicitly do not include “Preferred Customers”, who are generally described as buying the products to consume personally, rather than sell them to others. So let’s look at the geographic distribution of “associates”.

| Associates | Active Associates | Percentage distribution |
|----------------------|-------------------|-------------------------|
| North America/Europe | 78,000 | 34.06% |
| Greater China | 87,000 | 37.99% |
| Southeast Asia | 56,000 | 24.45% |
| North Asia | 8,000 | 3.49% |
| | 229,000 | 100.00% |

So Greater China comprises USANA’s largest region for “associates”. Citron notes the company has never disclosed its distribution of associates within the region. Here’s where it gets interesting: “Greater China” includes only the following areas, so lets consider their populations and try to assess where the associates are:

| Population by Country within “Greater China” region | Population | Percentage distribution | Estimated associates based on proportionate population compared to North America/Europe |
|--|---------------|-------------------------|---|
| Taiwan | 23,300,000 | 1.70% | 2,930 |
| Hong Kong | 7,200,000 | .52% | 905 |
| Mainland China | 1,344,000,000 | 97.78% | 83,165 ??? |
| | 1,374,500,000 | | |

Where in the world are all those associates?

Even if we **quintuple** the estimate for distribution of “associates” in Hong Kong, and account for all the BabyCare division associates (estimated 17,000 with all the preferred customers converted), there would still be more than **60,000 associates (87K – 17K – 3K – 5K) who can only be operating in Mainland China.**

(Expressed another way, if the company’s disclosures are to be believed, there is one USANA distributor for every 83 people in Hong Kong!) So with these numbers Citron hit the road and did some homework. Read on.



So where in **China** are all those associates?

The answer lies right on USANA's own website. Read on.

What USANA Legally Can and Cannot Do in Mainland China

In contrast to NuSkin, discussed previously in Citron, USANA has no legal authority to sell its mainline products in China. Its nutritional supplements business, which comprises over 90% of its gross revenues, is not labeled or licensed for sale in mainland China. And its primary method for distributing such products, which is **multi-level-marketing**, is strictly illegal in China. In contrast to NuSkin, which is able to provide the appearance of legitimacy by its hiring sales associates who work out of retail locations, USANA has no such infrastructure. It is only able to sell **at all** in the Chinese mainland through the purchase of its "BabyCare" subsidiary. That business is small and offers an entirely different line of products.

- USANA sells nutritional products – Not labeled, licensed or approved for sale in Mainland China
- No MLM's – compensation model strictly prohibited in Mainland China
- Not legal to import USANA nutritional products from Hong Kong



(Note "HK" labeling in black circle This bottle was purchased in mainland China.)

New Findings Prove Illegal China operations are systemic -- and well known to, and abetted by, USANA management

We simply looked on USANA's website (before their IT folks caught on) and found all the bodies lying right there in plain sight.

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Citron has obtained thousands of pages of "genealogy" reports of USANA's own associates, reports which can be and are run by USANA upline distributors, listing the uplines and downlines of thousands of associates. It is illegal for associates in China to have "uplines and downlines" ...this is evidence of MLM activity.

Check out the addresses of these "associates", however....

Finding #1: Massive numbers of USANA “Associates” registered to the same address:

Room 209 Wah Mei House 227 Ngau Tau Kok Road

There are over **2,700** records with this address in the USANA “associates” database. Allowing that a distributor can list themselves as a downline, and removing duplicates, we think there are over **900 unique “associates” listed at this single address.**

| Lvl | Business Ce | First Name | Last Name | Name | Title | Title Date | Original Sponsor | App Date | Qual Dal | Renewal | Phc | Phc | Fax | Address |
|-----|-------------|------------|-----------|------|----------------|----------------|------------------|------------|---------------|------------|------------|------------|-----------------|--|
| 3 | 6 | 3363281 | 002 | L | Meiqing Guo | Meiqing Guo | BLVR | 08/08/2009 | Baoshan Wang | 07/27/2009 | 08/21/2009 | 07/31/2013 | 1391093996 | Flat 209 Wah Mei House 227 Ngau Tau Kok Road |
| 4 | 6 | 3363281 | 003 | R | Meiqing Guo | Meiqing Guo | BLVR | 08/08/2009 | Baoshan Wang | 07/27/2009 | 08/21/2009 | 07/31/2013 | 1391093996 | Flat 209 Wah Mei House 227 Ngau Tau Kok Road |
| 5 | 6 | 3363905 | 002 | L | Zhiqiang Feng | Zhiqiang Feng | BLVR | 09/05/2009 | Jie Zhang | 07/28/2009 | 08/21/2009 | 07/31/2011 | 13980541177 | Flat E 18/F Tower A Marbella |
| 6 | 6 | 3363905 | 003 | R | Zhiqiang Feng | Zhiqiang Feng | BLVR | 09/05/2009 | Jie Zhang | 07/28/2009 | 08/21/2009 | 07/31/2011 | 13980541177 | Flat E 18/F Tower A Marbella |
| 7 | 4 | 3363265 | 002 | L | Baoshan Wang | Baoshan Wang | ACHVR | 05/14/2011 | Jie Zhang | 07/27/2009 | 08/21/2009 | 07/31/2013 | 13901074775 | Flat E 18/F Tower A Marbella Ma On Shan |
| 8 | 4 | 3363265 | 003 | R | Baoshan Wang | Baoshan Wang | ACHVR | 05/14/2011 | Jie Zhang | 07/27/2009 | 08/21/2009 | 07/31/2013 | 13901074775 | Flat E 18/F Tower A Marbella Ma On Shan |
| 9 | 10 | 3372151 | 002 | L | Yiping Yang | Yiping Yang | BC | 08/07/2009 | Meiqing Guo | 08/07/2009 | 08/28/2009 | 08/31/2012 | 13503545882 | Flat 209 Wah Mei Lau Kwun Tong Garden Estate |
| 10 | 10 | 3372151 | 003 | R | Yiping Yang | Yiping Yang | BC | 08/07/2009 | Meiqing Guo | 08/07/2009 | 08/28/2009 | 08/31/2012 | 13503545882 | Flat 209 Wah Mei Lau Kwun Tong Garden Estate |
| 11 | 6 | 3372111 | 002 | L | Gang Wei | Gang Wei | BC | 08/07/2009 | Meiqing Guo | 08/07/2009 | 08/28/2009 | 08/31/2011 | 13825193627 | Flat 209 Wah Mei Lau Kwun Tong Garden Estate |
| 12 | 6 | 3372111 | 003 | R | Gang Wei | Gang Wei | BC | 08/07/2009 | Meiqing Guo | 08/07/2009 | 08/28/2009 | 08/31/2011 | 13825193627 | Flat 209 Wah Mei Lau Kwun Tong Garden Estate |
| 13 | 6 | 3375281 | 002 | L | Haoming Wang | Haoming Wang | BLDR | 06/09/2012 | Baoshan Wang | 08/12/2009 | 09/11/2009 | 08/31/2013 | 15699794094 | Flat E 18/F Tower A Marbella |
| 14 | 6 | 3375281 | 003 | R | Haoming Wang | Haoming Wang | BLDR | 06/09/2012 | Baoshan Wang | 08/12/2009 | 09/04/2009 | 08/31/2013 | 15699794094 | Flat E 18/F Tower A Marbella |
| 15 | 9 | 3380421 | 003 | R | Lan Yuan | Lan Yuan | BC | 08/19/2009 | Jingdong Li | 08/19/2009 | 09/11/2009 | 08/31/2010 | 13760208865 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 16 | 9 | 3380421 | 002 | L | Lan Yuan | Lan Yuan | BC | 08/19/2009 | Jingdong Li | 08/19/2009 | 09/11/2009 | 08/31/2010 | 13760208865 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 17 | 13 | 3382557 | 002 | L | Hongsi Zhang | Hongsi Zhang | BC | 08/21/2009 | Kunhua Li | 08/21/2009 | 09/11/2009 | 08/31/2012 | 13798496339 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 18 | 13 | 3382557 | 003 | R | Hongsi Zhang | Hongsi Zhang | BC | 08/21/2009 | Kunhua Li | 08/21/2009 | 09/11/2009 | 08/31/2012 | 13798496339 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 19 | 7 | 3379915 | 002 | L | Jingdong Li | Jingdong Li | BLDR | 02/25/2012 | Jie Zhang | 08/18/2009 | 09/11/2009 | 08/31/2013 | 138231313885074 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 20 | 7 | 3379915 | 003 | R | Jingdong Li | Jingdong Li | BLDR | 02/25/2012 | Jie Zhang | 08/18/2009 | 09/11/2009 | 08/31/2013 | 138231313885074 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 21 | 12 | 3393739 | 002 | L | Yang Geng | Yang Geng | SHR | 09/19/2009 | Fang Zhang | 09/07/2009 | 10/02/2009 | 09/30/2010 | 13923452981 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 22 | 12 | 3393739 | 003 | R | Yang Geng | Yang Geng | SHR | 09/19/2009 | Fang Zhang | 09/07/2009 | 10/02/2009 | 09/30/2010 | 13923452981 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 23 | 9 | 3376515 | 001 | L | Jingmin Zhu | Jingmin Zhu | BC | 08/13/2009 | Wen Li | 08/13/2009 | 10/02/2009 | 08/31/2010 | 13911316389 | Flat E 18/F Tower A Marbella Ma On Shan |
| 24 | 9 | 3376461 | 001 | R | Wei Wang | Wei Wang | BC | 08/13/2009 | Jie Zhang | 08/13/2009 | 10/02/2009 | 08/31/2010 | 13602120091 | Room 505 Mui Yuen House Chuk Yuen North Estate |
| 25 | 11 | 3401025 | 001 | R | Xiaoxia Liang | Xiaoxia Liang | BC | 09/15/2009 | Weihong Lin | 09/15/2009 | 10/09/2009 | 09/30/2010 | 13392843170 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 26 | 14 | 3403441 | 001 | L | Kunpeng He | Kunpeng He | BC | 09/17/2009 | Kunhua Li | 09/17/2009 | 10/09/2009 | 09/30/2010 | 13588889888 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 27 | 10 | 3382359 | 001 | R | Hongmin Zeng | Hongmin Zeng | BC | 08/21/2009 | Jialan Fang | 08/21/2009 | 10/09/2009 | 08/31/2010 | 15984896909 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 28 | 10 | 3388921 | 001 | L | Liang Zhong | Liang Zhong | BC | 08/31/2009 | Zhiqiang Feng | 08/31/2009 | 10/09/2009 | 08/31/2010 | 13980273177 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 29 | 10 | 3382255 | 001 | L | Xueshun Zhou | Xueshun Zhou | BC | 08/21/2009 | Jingdong Li | 08/21/2009 | 10/09/2009 | 08/31/2010 | 13823117837 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 30 | 9 | 3383039 | 001 | R | Lijun Xiao | Lijun Xiao | BC | 08/21/2009 | Fen Zhang | 08/21/2009 | 10/09/2009 | 08/31/2010 | 13902902384 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 31 | 10 | 3391231 | 001 | R | Ping Zhang | Ping Zhang | BC | 09/03/2009 | Fen Zhang | 09/03/2009 | 10/23/2009 | 09/30/2010 | 0753-2988916 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 32 | 11 | 3388939 | 001 | L | Qiao Li | Qiao Li | BC | 08/31/2009 | Zhiqiang Feng | 08/31/2009 | 10/23/2009 | 08/31/2010 | 13980541177 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 33 | 11 | 3389515 | 001 | L | Ruizhong Li | Ruizhong Li | BC | 09/01/2009 | Jingdong Li | 09/01/2009 | 10/23/2009 | 09/30/2010 | 13823756638 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 34 | 9 | 3388901 | 001 | R | Xiaojun Wang | Xiaojun Wang | BC | 08/31/2009 | Zhiqiang Feng | 08/31/2009 | 10/23/2009 | 08/31/2010 | 13980816780 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 35 | 11 | 3395087 | 001 | R | Jun Zhang | Jun Zhang | BC | 09/08/2009 | Fen Zhang | 09/08/2009 | 10/30/2009 | 09/30/2010 | 13923452981 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 36 | 13 | 3394161 | 001 | L | Xiaoyan Feng | Xiaoyan Feng | BC | 09/07/2009 | Qingyan Chen | 09/07/2009 | 10/30/2009 | 09/30/2010 | 13761215151 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 37 | 9 | 3376265 | 001 | R | Bing Li | Bing Li | BC | 08/13/2009 | Wen Li | 08/13/2009 | 10/30/2009 | 08/31/2010 | 1352512980 | Flat E 18/F Tower A Marbella |
| 38 | 11 | 3403461 | 001 | L | Xiyin Zhong | Xiyin Zhong | BC | 09/17/2009 | Weihong Lin | 09/17/2009 | 11/06/2009 | 09/30/2010 | 13823677828 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 39 | 11 | 3404659 | 001 | L | Jintao Tan | Jintao Tan | BC | 09/18/2009 | Xin Zhang | 09/18/2009 | 11/06/2009 | 09/30/2010 | 1374401770 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 40 | 12 | 3404351 | 001 | L | Chengjian Deng | Chengjian Deng | BC | 09/18/2009 | Fen Zhang | 09/18/2009 | 11/06/2009 | 09/30/2010 | 13902902384 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 41 | 12 | 3404703 | 001 | L | Shiyi Liao | Shiyi Liao | BC | 09/18/2009 | Jianmin Guo | 09/18/2009 | 11/06/2009 | 09/30/2010 | 13560999610 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 42 | 13 | 3404433 | 001 | L | Zhenpeng He | Zhenpeng He | BC | 09/18/2009 | Xin Zhang | 09/18/2009 | 11/06/2009 | 09/30/2010 | 13923452981 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 43 | 3 | 3379455 | 001 | L | Jing Tang | Jing Tang | BLVR | 09/05/2009 | Jie Zhang | 08/17/2009 | 11/06/2009 | 08/31/2010 | 02 96291688 | 12A Piperbrook Crescent |
| 44 | 12 | 3412075 | 001 | R | Weiqing Hou | Weiqing Hou | BC | 09/25/2009 | Jianglin Guo | 09/25/2009 | 11/13/2009 | 09/30/2010 | 13902902384 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 45 | 13 | 3409743 | 001 | L | Wenwen Liao | Wenwen Liao | BC | 09/24/2009 | Jianmin Guo | 09/24/2009 | 11/13/2009 | 09/30/2010 | 13560999610 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 46 | 11 | 3409735 | 001 | R | Da Xu | Da Xu | BC | 09/24/2009 | Jianmin Guo | 09/24/2009 | 11/13/2009 | 09/30/2010 | 13902902384 | Room 209 Wah Mei House Kwun Tong Garden |
| 47 | 12 | 3409825 | 001 | R | Xudong Guo | Xudong Guo | BC | 09/24/2009 | Jianglin Guo | 09/24/2009 | 11/13/2009 | 09/30/2010 | 13823266609 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 48 | 15 | 3394801 | 001 | R | Jinghui Li | Jinghui Li | BC | 09/08/2009 | Jing Tang | 09/08/2009 | 11/27/2009 | 09/30/2010 | 13910311202 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 49 | 16 | 3394919 | 001 | R | Jumwei Xu | Jumwei Xu | BC | 09/08/2009 | Kok Piu You | 09/08/2009 | 11/27/2009 | 09/30/2010 | 13709097421 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 50 | 14 | 4163048 | 001 | L | Xin Wang | Xin Wang | BC | 10/09/2009 | Qingyan Chen | 10/09/2009 | 11/27/2009 | 10/31/2010 | 13902902384 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 51 | 17 | 4163166 | 001 | R | Ling Guo | Ling Guo | BC | 10/09/2009 | Kok Piu You | 10/09/2009 | 11/27/2009 | 10/31/2010 | 13138850745 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 52 | 13 | 4162922 | 001 | L | Ganwen Zhang | Ganwen Zhang | BC | 10/09/2009 | Qingyan Chen | 10/09/2009 | 11/27/2009 | 10/31/2010 | 13902902384 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 53 | 18 | 4163194 | 001 | R | Qiongzhu Liu | Qiongzhu Liu | BC | 10/09/2009 | Kok Piu You | 10/09/2009 | 11/27/2009 | 10/31/2010 | 1382370144 | Room 209 Wah Mei House Kwun Tong Garden Estate |
| 54 | 6 | 3380421 | 001 | L | Lan Yuan | Lan Yuan | BC | 08/19/2009 | Jingdong Li | 08/19/2009 | 12/04/2009 | 08/31/2010 | 13760208865 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |

A large Excel spreadsheet is attached showing all the details of the snapshot sample below. [\[Link to download \]](#)



This notice above was posted on the wall next to room 209. This notice was posted by the Kwan Tang Park division of the HK Housing Society on April 20, 2001. It says Mr. Zhou used to live here, but he has moved out. Our contact found a phone number on the notice, but the member of the Kwan Tang division of the Hong Kong Housing Society refused to tell him anything about Mr. Zhou.

The two pictures of the door are from Room 209. Our contact knocked on the door many times, but no one answered. While on the 2nd floor of the Wah Mei House our contact asked 2 women, who appeared to reside on the floor, if they knew who lived in Room 209, but the women told him that no one lived there. The women also had not heard of Jie Zhang, Jiafen Fang and Fang Zhang. These are the names of three USANA “associates” who have the most downlines registered at this address.

Finding #2: Massive numbers of USANA Associates registered to the same address:

Rm 1906 Kwong Yat House Kwong Tin Estate

There are over 5,000 records with this address in the USANA “associates” database. Again processing out duplicates and self-downlines, **we think there are still over 2,000 unique associates listed to this address.**

| Lvl | Business Centre | First Name | Last Name | Title | Qual Date | Phone Day | Address | City |
|-----|-----------------|------------|-----------|-------|------------|--------------|--|------------------|
| 3 | 8704885.001 | 紅山 | 潘 | BC | 1/21/2011 | 13384654866 | Rm 1906 Kwong Yat House Kwong Tin Estate | Kwong Tin Estate |
| 4 | 9042253.001 | Guifang | Zuo | BC | 3/16/2012 | 133968752 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 5 | 9042253.002 | Guifang | Zuo | BC | 3/16/2012 | 133968752 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 5 | 9042253.003 | Guifang | Zuo | BC | 3/16/2012 | 133968752 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 7 | 7861231.001 | Yuhon | Zuo | BLDR | 7/29/2011 | 18850058748 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 3 | 7861231.002 | Yuhon | Zuo | BLDR | 7/29/2011 | 18850058748 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 3 | 7861231.003 | Yuhon | Zuo | BLDR | 7/29/2011 | 18850058748 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 0 | 6735087.001 | Liyan | Zou | BC | 4/15/2011 | 18921178923 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 1 | 6735087.002 | Liyan | Zou | BC | 4/15/2011 | 18921178923 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 2 | 6735087.003 | Liyan | Zou | BC | 4/15/2011 | 18921178923 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 3 | 7879901.001 | Min | Zou | NBC | #VALUE! | 1819190964 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 4 | 9252347.001 | Ming Ming | Zou | BC | 1/13/2012 | 1819190973 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 5 | 9252347.002 | Ming Ming | Zou | BC | 1/13/2012 | 1819190973 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 6 | 9252347.003 | Ming Ming | Zou | BC | 1/13/2012 | 1819190973 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 7 | 9694491.001 | Yuming | Zong | BLDR | 7/15/2011 | 18962525949 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 8 | 9694491.002 | Yuming | Zong | BLDR | 7/15/2011 | 18962525949 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 9 | 9694491.003 | Yuming | Zong | BLDR | 7/15/2011 | 18962525949 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 10 | 8825283.001 | Mingming | Zon | BC | 10/14/2011 | 18001543760 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 11 | 8825283.002 | Mingming | Zon | BC | 10/14/2011 | 18001543760 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 12 | 8825283.003 | Mingming | Zon | BC | 10/14/2011 | 18001543760 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 13 | 3716905.001 | Xiaoming | Zhuge | BC | 8/27/2010 | 01267508653 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 14 | 3716905.002 | Xiaoming | Zhuge | BC | 8/27/2010 | 01267508653 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 15 | 3716905.003 | Xiaoming | Zhuge | BC | 8/27/2010 | 01267508653 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 16 | 3793069.001 | Yan | Zhuang | BC | 11/12/2010 | 18331988960 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 17 | 8071199.001 | Qian | Zhu Ge | BC | 1/6/2012 | 1819190917 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 18 | 8071199.002 | Qian | Zhu Ge | BC | 1/6/2012 | 1819190917 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 19 | 8071199.003 | Qian | Zhu Ge | BC | 1/6/2012 | 1819190917 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 10 | 3358309.001 | Baochao | Zhu | BC | 9/11/2009 | 1852465108 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 11 | 3302893.001 | Changqiang | Zhu | SHR | 6/5/2009 | 18701895956 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 12 | 3302893.002 | Changqiang | Zhu | SHR | 6/5/2009 | 18701895956 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 13 | 3302893.003 | Changqiang | Zhu | SHR | 6/5/2009 | 18701895956 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 14 | 7816769.001 | Chao | Zhu | BC | 10/14/2011 | 1891786938 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 15 | 7816769.002 | Chao | Zhu | BC | 10/14/2011 | 1891786938 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 16 | 7816769.003 | Chao | Zhu | BC | 10/14/2011 | 1891786938 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 17 | 3104425.001 | Chengyuan | Zhu | BC | 9/5/2008 | 18524651084 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 18 | 3104425.002 | Chengyuan | Zhu | BC | 9/5/2008 | 18524651084 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 19 | 3104425.003 | Chengyuan | Zhu | BC | 9/5/2008 | 18524651084 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 0 | 7256289.001 | Fuzhou | Zhu | NBC | #VALUE! | 18862555172 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 1 | 3040263.001 | Haixia | Zhu | BC | 1/4/2008 | 18386093337 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 2 | 3667923.001 | Hengfeng | Zhu | BC | 9/17/2010 | 01265617947 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 3 | 3667923.002 | Hengfeng | Zhu | BC | 9/17/2010 | 01265617947 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 4 | 3667923.003 | Hengfeng | Zhu | BC | 9/17/2010 | 01265617947 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 5 | 3000995.001 | Jian | Zhu | BC | 7/27/2007 | 013681850855 | Rm 1906 Kwong Yat House Kwong Tin Estate | |
| 6 | 8253315.001 | Jian Li | Zhu | BC | 1/6/2012 | 1819190934 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 7 | 8253315.002 | Jian Li | Zhu | BC | 1/6/2012 | 1819190934 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 8 | 8253315.003 | Jian Li | Zhu | BC | 1/6/2012 | 1819190934 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 9 | 9153127.001 | Jian Li | Zhu | BC | 1/13/2012 | 1819190953 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 10 | 9153127.002 | Jian Li | Zhu | BC | 1/13/2012 | 1819190953 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 11 | 9153127.003 | Jian Li | Zhu | BC | 1/13/2012 | 1819190953 | Rm 1906 Kwong Yat House Kwong Tin Estate | Tin Lam Kowloon |
| 12 | 3026825.001 | Jianping | Zhu | BC | 1/18/2008 | 01338609337 | Rm 1906 Kwong Yat House Kwong Tin Estate | |



Kwong Yat House building, photos of 19th floor and door of room 1906. Inside lives an old man who has lived there for many years. He states he has never heard of USANA.

How do we know these can't just be direct customers?

For both these lists, nearly all entries have “volume needed” values. Preferred customers don't purchase starter kits or sign a business contract. They aren't issued a Business Center ID. Preferred customers are not in a downline, and they are not able to collect commissions. Some of these

associates even have leadership rankings; many have multiple business centers. They have distributor ID numbers and can be found on USANA distributor searches.

Further searches at Kwong Tat House.

We analyzed the phone numbers to see if any “associates” were using the same phone number. Below are the 5 most common registered phone numbers for “associates” who live at “Rm 1906 Kwong Tat House Kwong Tin Estate” and the most senior ranking distributor who is registered with said phone number.

Phone #: 13524651084

of people who use this phone number: **221**

Most senior ranking distributor with this phone number: Yanli Xu, Director

Phone #: 13681830855

of people who use this phone number: **79**

Most senior ranking distributor with this phone number: Zhanrong Ye, Director

Phone #: 13386093337

of people who use this phone number: **75**

Most senior ranking distributor with this phone number: Yongkang Yu, Silver Director

Phone #: 13386013280

of people who use this phone number: **62**

Most senior ranking distributor with this phone number: Huagen Zheng, NBC*

*(*We are unsure what NBC stands for, but we believe it is a relatively high rank)*

Phone #: 13917796248

of people who use this phone number: **35**

Most senior ranking “associates” with this phone number: Suyu Li and Lulu Chang, NBC’s

*(*We are unsure what NBC stands for, but we believe it is a relatively high rank.)*

Is there something unique about these two apartment buildings?

No.

We found distributor records from at least **5 other Hong Kong addresses** with hundreds of occurrences of the same address. In this further overview of duplicate address records, we see, the following:

| <u>Apartment Building</u> | <u># of Records in Spreadsheet</u> | <u>Likely # of unique distributors at these locations</u> |
|--|------------------------------------|---|
| Amoy Garden, Kwun Tong District, HK | 3,748 | 1,249 |
| East Ocean Centre, Kwoloon District, HK | 1,880 | 627 |
| Wah Shing, Sha Tin District, HK | 521 | 174 |
| One Island East, Central District, HK | 510 | 170 |
| Righteous Centre, Yau Tsim Mong District, HK | 332 | 111 |
| Total: | 6,991 | 2,330 |

Most “associates” in these lists appear three times. The reason is that “associates” who purchase USANA’s [“Business Builder pack”](#) earn the right to list themselves as their own first “left” and “right” downlines, creating a pseudo-benefit of climbing the pyramid faster. We therefore estimate the actual number of distributors at these 5 addresses by dividing the total listings by three. It’s certainly quaint to see attempts to create new addresses during registration entering a different room number, such as the New East Ocean Centre, where literally hundreds of rooms in the same building all coincidentally appear to house USANA “associates”.

Associate Count

| First Name | Last Name | Address | Address (for PT only) |
|------------|-----------|---|---|
| Chengrui | Yu | room1317,new east ocean centre, No.9 science museum rd,t.s.t.e.kln,hk | East Ocean Centre, Kwoloon District, HK |
| Chengrui | Yu | room1317,new east ocean centre, No.9 science museum rd,t.s.t.e.kln,hk | East Ocean Centre, Kwoloon District, HK |
| Chengrui | Yu | room1317,new east ocean centre, No.9 science museum rd,t.s.t.e.kln,hk | East Ocean Centre, Kwoloon District, HK |
| Wei | Liu | room1401,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Wei | Liu | room1401,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Wei | Liu | room1401,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Tangchen | Hou | room1401,new east ocean centre,no.9 science museum rd,t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Tangchen | Hou | room1401,new east ocean centre,no.9 science museum rd,t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Tangchen | Hou | room1401,new east ocean centre,no.9 science museum rd,t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Yujie | Chen | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Yujie | Chen | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Yujie | Chen | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Hongcheng | Qin | room1402,new east ocean centre,no.9 science museum rd,t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Hongcheng | Qin | room1402,new east ocean centre,no.9 science museum rd,t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Hongcheng | Qin | room1402,new east ocean centre,no.9 science museum rd,t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Hongcheng | Qin | room1402,new east ocean centre,no.9 science museum rd,t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Ying | Wen | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Ying | Wen | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Ying | Wen | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Shu | Mao | room1402,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Shu | Mao | room1402,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Shu | Mao | room1402,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Haotao | Xu | ROOM1402,NEW EAST OCEAN CENTRE,NO.9 SCIENCE RD,T.S.T.E,KLN | East Ocean Centre, Kwoloon District, HK |
| Haotao | Xu | ROOM1402,NEW EAST OCEAN CENTRE,NO.9 SCIENCE RD,T.S.T.E,KLN | East Ocean Centre, Kwoloon District, HK |
| Haotao | Xu | ROOM1402,NEW EAST OCEAN CENTRE,NO.9 SCIENCE RD,T.S.T.E,KLN | East Ocean Centre, Kwoloon District, HK |
| Yunmei | Yang | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Yunmei | Yang | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Yunmei | Yang | room1402,new east ocean centre,no.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Binbin | Yang | room1403,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Binbin | Yang | room1403,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Binbin | Yang | room1403,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Jie | Liu | room1403,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Jie | Liu | room1403,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Jie | Liu | room1403,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Ying | Yang | room1404,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Ying | Yang | room1404,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Ying | Yang | room1404,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Le | Pan | room1404,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Le | Pan | room1404,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Le | Pan | room1404,new east ocean centre,No.9 science museum rd, t.s.t.e.kln | East Ocean Centre, Kwoloon District, HK |
| Xueqian | Wu | ROOM1404,NEW EAST OCEAN CENTRE,NO.9 SCIENCE RD,T.S.T.E,KLN | East Ocean Centre, Kwoloon District, HK |
| Xueqian | Wu | ROOM1404,NEW EAST OCEAN CENTRE,NO.9 SCIENCE RD,T.S.T.E,KLN | East Ocean Centre, Kwoloon District, HK |
| Xueqian | Wu | ROOM1404,NEW EAST OCEAN CENTRE,NO.9 SCIENCE RD,T.S.T.E,KLN | East Ocean Centre, Kwoloon District, HK |
| Xiaoman | Yuan | room1405,new east ocean centre, No.9 science museum rd,t.s.t.e.kln,hk | East Ocean Centre, Kwoloon District, HK |
| Xiaoman | Yuan | room1405,new east ocean centre, No.9 science museum rd,t.s.t.e.kln,hk | East Ocean Centre, Kwoloon District, HK |

[\[Link to Thousands More Duplicate Addresses \]](#)

Did we have access to all the USANA “associates” data?

No.

We found a series of reports on the USANA website that had been previously run by USANA “associates” to report on their own downlines and uplines, or [“Genealogy reports”](#) as USANA calls them. These reports would never have been applicable in a “direct sales” model. **They apply exclusively to Multi-Level Marketing schemes.** We think there are **many many more** “associates” with fake or blank Hong Kong addresses in the USANA database than the ones we found.

Elsewhere we read that USANA purportedly has a policy of not allowing more than 15 “associates” to share the same address with manual override. We understand they have had some “computer system problems” but this is too ridiculous to discuss.

Extraordinary Research Measures

Because of the extraordinary nature of these findings, researchers took a variety of extra measures to confirm this dataset.

- 1) We visited the Kwong Yat House – a public low-rent residential building on the outskirts of Hong Kong. In room 1906 lives an old man who says he has lived there for many years, and has never heard of USANA.
- 2) Site visit and dozens of phone interviews with “associates” whose listed address is Wah Mei House. As might be expected, many deny ever having been a USANA distributor. However, a surprising number answered questions with remarkable candor.
- 3) Extensive study of over a thousand USANA groups on the popular Chinese social media site QQ.com

Example:

On May 27th, we spoke to Wenfa Zhang. Wenfa is a USANA distributor who is listed as living at **Room 209 Wah Mei House 227 Ngau Tau Kok Road** (see photos above) and he said his wife introduced him to USANA. We then checked our list of USANA “associates” to find out more about Wenfa and we found the following:

- According to Wenfa, he states he lives in Shenzhen (Mainland), and he signed up a total of **4 downlines**. We found his downlines in our USANA distributor spreadsheet and found all of his downlines signed up in October, '12, and they all are listed as living at **Room 209 Wah Mei House 227 Ngau Tau Kok Road**.
- Our spreadsheet lists **9 of Wenfa’s uplines** and **the first 7** are listed as living at **Room 209 Wah Mei House 227 Ngau Tau Kok Road**

| Connection to Wenfa | Name | Title | Original Sponsor | App Date | Qual Date | Renewal Date | Address |
|---------------------|----------------|-----------------|------------------|------------|------------|--------------|--|
| Downline | Huimin Xie | BC | Wenfa Zhang | 10/25/2012 | 11/16/2012 | 10/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| Downline | Mingchun Wen | BC | Wenfa Zhang | 10/25/2012 | 11/16/2012 | 10/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| Downline | Fengying Lai | BC | Wenfa Zhang | 10/23/2012 | 12/14/2012 | 10/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| Downline | Biyun Huang | BC | Wenfa Zhang | 10/25/2012 | 04/26/2013 | 10/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| Wenfa Zhang | Wenfa Zhang | Builder | Xianfang Zhang | 10/23/2012 | 05/03/2013 | 10/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 1st Upline / Wife | Xianfang Zhang | Silver Director | Silian Yin | 12/06/2011 | 04/19/2013 | 12/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 2nd Upline | Silian Yin | Achiever | Liling Li | 05/11/2011 | 04/13/2012 | 05/31/2012 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 3rd Upline | Liling Li | Silver Director | Youfang Li | 05/02/2011 | 04/26/2013 | 05/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 4th Upline | Youfang Li | Silver Director | Guanmei Zhang | 03/31/2011 | 05/03/2013 | 03/31/2014 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 5th Upline | Guanmei Zhang | Builder | Weihong Lin | 12/29/2010 | 05/03/2013 | 12/31/2013 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 6th Upline | Weihong Lin | Silver Director | Dongxian Su | 03/25/2011 | 05/03/2013 | 03/31/2014 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 7th Upline | Dongxian Su | Believer | Fang Zhang | 03/15/2011 | 01/13/2012 | 03/31/2012 | Room 209 Wah Mei House 227 Ngau Tau Kok Road |
| 8th Upline | Fang Zhang | Gold Director | Jie Zhang | 08/18/2009 | 04/19/2013 | 08/31/2013 | Flat E 18/F Tower A Marbella |
| 9th Upline | Jie Zhang | Gold Director | Jiafen Fang | 07/27/2009 | 04/19/2013 | 07/31/2013 | Flat E 18/F Tower A Marbella |

Example: Research Interview of Hong Kong-listed USANA Distributor

Wenfa Zhang
Room 209 Wah Mei House 227 Ngau Tau Kok Road
May 27th, 2013
1768910653@qq.com

Question: Which province and City do you live in?

Answer: Shenzhen, Guangdong

Question: When did you sign up with USNA?

Answer: Last year.

Question: Who approached you to sign you up?

Answer: My wife. (He refused to giving some information about his wife.)

Question: How much did you pay up front when you joined USNA?

Answer: 500 or 600 HKD

Question: When you first signed up, was there a mandatory product purchase right in the beginning?

Answer: Yes.

Question: How was USANA product delivered to you? Was it shipped from Hong Kong? Delivered in person by someone from Hong Kong?

Answer: You can either pick up the USANA products from Hong Kong yourself or you can have someone deliverer them to you.

Question: How long were you working in the USNA business?

Answer: One year.

Question: Did you succeed in signing anyone up under you? How many?

Answer: Yes. 3 or 4.

**Other Examples: Research Interview of Hong Kong USANA distributor Xiang Yi
(See [[Conversations with USANA "associates".docx](#) for all interviews])**

Xiang Yi
Room 209 Wah Mei House 227 Ngau Tau Kok Road
June 3rd, 2013
243360327@QQ.COM

Question: Which province and City do you live in?

Answer: Sichuan Province

Question: When did you sign up with USNA?

Answer: Two years ago.

Question: Who approached you to sign you up?

Answer: My friend.

Question: How much did you pay up front when you joined USNA?

Answer: 5,000 RMB. (\$815 USD)

Question: How was USNA product delivered to you? Was it shipped from Hong Kong? Delivered in person by someone from Hong Kong?

Answer: The Sichuan USNA Group sent the product to me. I don't know how they got the product.

Question: How long were you working in the USNA business?

Answer: I don't do it anymore.

Question: Which bank did you open an account with in HK?

Answer: I bought products through the Sichuan Group, so I didn't need to open a Hong Kong bank account.

Question: Are you willing to confidentially speak to a reporter about your experience with USNA?

Answer: Yes.

Xiang Yi

Phone #:13398136126

(Further Updated June 17:)

Question: Is this the same person as your immediate upline?

Answer: Yes.

Question: Who is/was at the very top of your upline?

Answer: I don't know.

Question: What opportunity were you were promised for USNA?

Answer: I should buy 1000HKD product at least every month.

Question: When you first signed up, was there a mandatory product purchase right in the beginning?

Answer: Yes.

Question: How much did you spend over that whole period?

Answer: I don't remember.

Question: Why did you have to register with USNA under a HK address? How was that explained to you?

Answer: I don't know about that.

Question: Did you have concerns about USNA not being approved as a direct seller in China? Why / Why not?

Answer: The company told me USNA is an approved direct seller in China now because it is cooperate with BabyCare Company now.

Question: Did you have to travel to HK to sign up, or was it handled otherwise?

Answer: No. The Sichuan Group signed me up just in Sichuan.

Question: How many people are there in Sichuan Group?

Answer: Several hundred people.

Question: Do they have an office?

Answer: No.

Question: Do they have meetings sometimes?

Answer: Yes. They don't provide accommodation and we also should pay for the rent of meeting room.

Question: Did you succeed in signing anyone up under you? How many?

Answer: No.

Question: Do you know any complaint about USNA?

Answer: My sister who is also a distributor of USNA told me the check of signing up people can't be cashed. She complain it to the Sichuan Group before. But they can't deal with that.

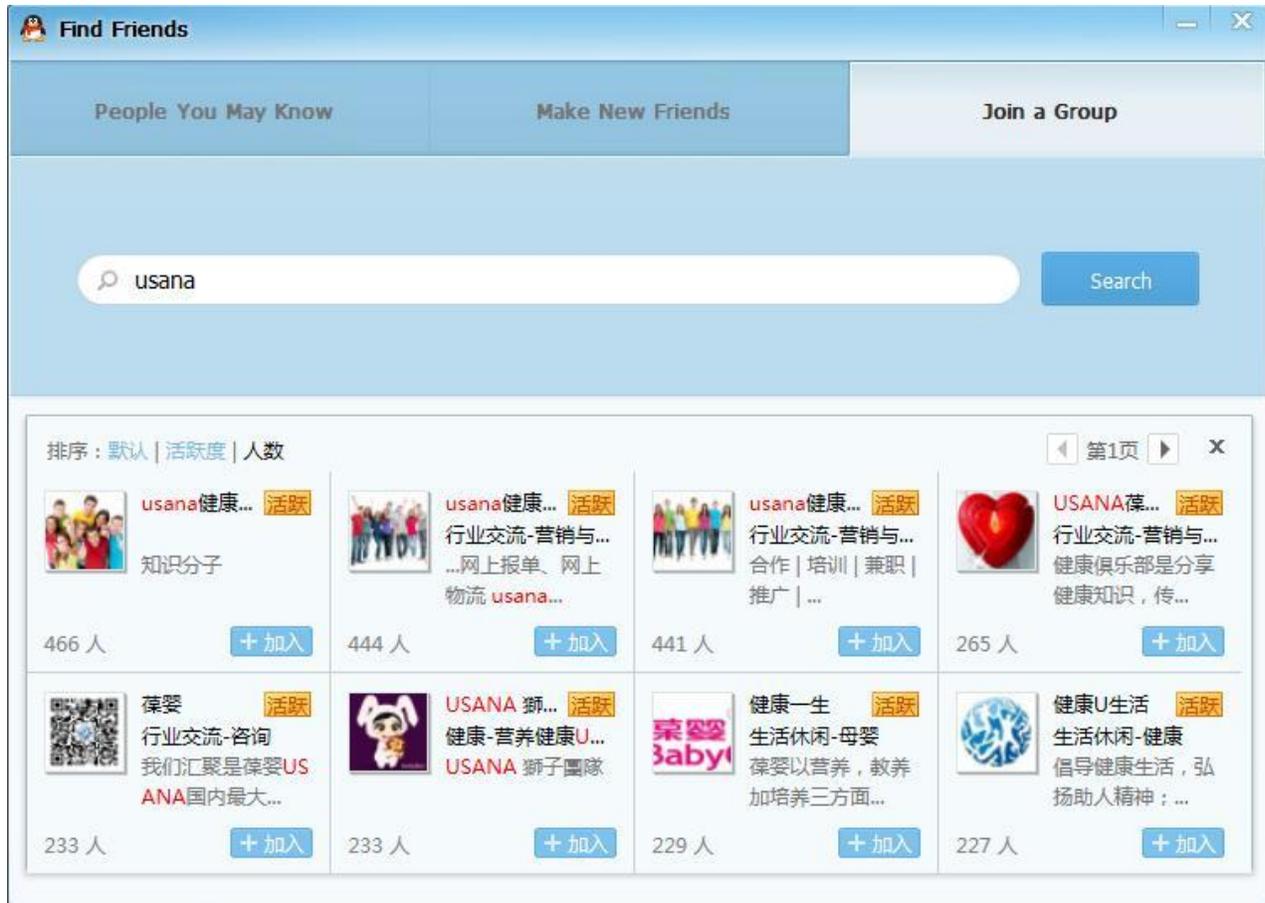
Question: Which bank is the check from?

Answer: Bank of China.

[Link to dozens more conversations with USANA distributors on the Mainland.](#)

Social Networks and the USANA sales pyramid

One of the most popular chat and social networking sites in China is called QQ, owned by internet giant Tencent. We found over **1,100 USANA groups in Mainland China on QQ that contain over 19,000 members**. After we gathered this data, we selected 9 QQ Groups, that collectively had over 1,000 members. We listed every member and their email, and cross checked the 1,000 email addresses with our list of USANA “associates” who claim to live at the Wah Mei House. There was no overlap.



There are 2,538 QQ members in just these 8 USANA groups. We paged through more than 20 pages of groups, all of which still had over 30 members.

The 100 largest Mainland China USANA QQ Groups have 10,109 members
The 250 largest Mainland China USANA QQ Groups have 14,524 members
The 500 largest Mainland China USANA QQ Groups have 17,728 members

Every USANA QQ Group has a creator. Some of the Q group creators list their home towns and current location in their QQ profile. The following information was extracted from the 100 largest Mainland China USANA QQ groups:

USANA QQ Group Creator's Home Town

90% - List their home town to be in Mainland China

01% - List their home town to be in Hong Kong

09% - Don't list their home town in their QQ profile

USANA QQ Group Creator's Current Location

80% - List their current location to be in Mainland China

03% - List their current location to be in Hong Kong

11% - List their current location in a country besides China or Hong Kong

06% - Don't list their current location in their QQ profile

One example: A specific QQ group: [\[LINK to the file Terry Wang.pdf \]](#)

- This group has **143 members – all of their names and QQ contact info is listed.**
- One group member is screen name “**Terry**”, and the profile indicates last name is “**Wang**”
- Another group member screen name is “Linda”.
USANA’s website lists Terry Wang as a member of the USANA Million Dollar Club and Top Global Income Earners
- **96% of the QQ group members who list their current location claim to be living in Mainland China**
39% of group list their home town in their QQ profile, and 99% claim to have been born in Mainland

Usana Million Dollar Club



Photo features 2010 members of the Million Dollar Club

The Million Dollar Club is an elite group of over 170 Associates who have, throughout the course of their USANA careers, earned at least \$1 million in commissions.

Collette Larsen & Zachary Ross
 Bud & Bunny Barth
 April Fano
 Susan Waitley
 Lyndon Redman & Marie-France Morin
 Jeremy Starsfield
 Sterling & Mary Ottesen
 Pete & Dora Zdanis
 David & Falia Ledoux
 Dan & Nanc Christy
 Michael & Barbara Hollender
 Terry Allen
 Barbara Souther
 Ursula Dowhey
 Larry & Nancy Bunn
 Mike & Jenny Larsen
 Rick & Terri Young
 Sets Der Artinian & Hubert Krause
 Ron McDiarmid
 Tom & Lorie Mulhern
 Patti & Rik Jamieson
 Susanne & John Cunningham
 Liesbeth van Eerten
 Tom & Ladawn Painter
 Connie Cumming-Allen
 Elizabeth C. Vine

William Ohochinsky & Donna Thrasher
 Mable & Vincent Chan
 John Kinnear
 Brian & Jennifer Douglas
 Deanna & David Waters
 Sophia Marcoux & Jacques Fiset
 Perfect Lifestyle Group
 Jean & Peter Cheung
 Paul & Leslee Maki
 Bryan & Monica Penrod
 Rita Hui
 Dean & Sherri Chionis & Matt Chionis
 Dan & Rebecca Brink
 Patty & John Abraham
 Connie Yao & Jim Barabe
 Dixie Moore
 John Ross Appleton
 Vivian & Neil Reinhart
 Kelli & Larry Lessie
 Michel & Suzanne Lavoie
 Penelope & Phil Kirk
 Sven & Patricia Poulsen
 Lyne & Germain Lafortune
 Line & Luc Dubois
 Dr. Eric Davis & Dr. Roger Piasecki
 Dr. Wen Chi Wu & Zang Houng Wu

Jean-Pierre Gagné & Nicole Boulé
 Steven Lu
 David Herrick
 Virend & Yogandrie Singh
 Liu Tang Jung & Pan Hsiu Jou
 Daniel & Dr. Paige Hurter
 Frank Feng & Bin Yang
 Matt & Shanna Ryan
 Nathalie Deslauriers & Jean-Simon Marcoux
 Rory Jones
 Bob, Mary, Amy & Xian Lin
 Terry & Terri Wright
 Arnie & Linda Knight
 Steven Chen & Zhi Xian Jin
 Bryan Morris
 Mario & Kveta Marlucci
 Annette & Victor Que
 Queen & Alan To
 Alandra McLaren
Terry Wang & Linda Ju
 Janet L. Moore
 Wang Bai Lu & Chiang Chun Tze
 Tony & Tammy Daurm
 Carmen Marshall
 Joanne Kotjan
 Fiona Jamieson-Folland & Chris Folland

Robin Ellis
 Josephine Shieh & Liu Bing Chuan
 Wang Ying Chiao & Lin Sen Chi
 Conchita Vargas Lugo & Paola Vargas Lugo
 David & Tricia Delevante
 Eduardo Barreto
 Dustin & Melissa Fields
 Ani Black
 Anita Shu-Fang Lee
 Gregory Stevens
 Charles Stivers
 CheBum An & JuHyun Yoo
 Sheila & Garry Dancho
 Luc Tremblay
 Annette Sale Owens
 Jerry & Fiona Clayton
 Elaine Lee
 Mike & Miriam Miller
 Feng Ye & Jian-Qin Gu
 J'en El
 Colette Evans
 Tonja & Wade Hillebrant
 Faye & Ray Despins
 Stephen Daniel
 Hou Ya Chen & Joy C.I. Huang
 James & Rajamma Fernandez

Bill & Jenny Huang
 Madeleine & Jacques Marcoux
 Louise Lagarde
 Majid & Kahnoush Mokhbery
 Kichiro Tani
 Alice Hsieh
 Gong Zheng Fa & Zhao Qian
 Patti Roney
 Takashi Kakino
 Jasmine Zhao
 Chun-Ming Chang & Aileen Zhou
 Monica Lewis
 Dr. Christiane Northrup
 Jo & Warren Naseby
 Nick & Christine Roditis
 Mark & Keri Mc Kee
 Serge & Mado Morissette
 Serge & Diane Deslongchamps
 David Hu & Xie Huijian
 Lee Cheng Yen & Lo Hui Ting
 Lin Shi & Meiqin Jiang
 Tina Tao Pang & Ted Chun Yong Liu
 Peter & Bibiana Pau
 Barbara & Dr. Norman Dawson
 Kevin & Gaewyn Goodwin

Usana Terry System Group Member List

TERRY (珠海) 's Info



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TERRY (珠海) 404017967

QQ Age: 4 QQ Level:

Name: **Terry Wang** English Name: -

Display Name: -

Personal Message: -

Basic Info

Gender: Male Age: 119 Birthday: 9-7

Blood Type: O Zodiac: Snake Horoscope: Virgo

Hometown: -

Current Location: China Guangdong Zhuhai

Address: -

Zip Code: -

Details

Telephone: - Mobile Phone: 133*****

Fmail: -

Add Update Close

Uasna, Linda Ju's QQ profile

linda's Info



View HD Photo

linda 970768300

QQ Age: 5 QQ Level:

Name: - English Name: -

Display Name: -

Personal Message: 心静致富

Basic Info

Gender: Female Age: 52 Birthday: 4-16

Blood Type: - Zodiac: Ox Horoscope: Aries

Hometown: -

Current Location: Australia New South Wales Sydney

Address: -

Zip Code: -

Details

Telephone: - Mobile Phone: 189*****

Fmail: 970768300@qq.com

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If USANA is selling millions of dollars of product in mainland China, what about the taxes?

All USANA-branded products sold in Mainland China should be subject to import duties (20%) and VAT (17%). (By contrast, Hong Kong has neither import duties, nor VAT. The violation occurs when product is trans-shipped from Hong Kong to the Mainland.)

- 55% of the “associates” we have spoken with believe no taxes are paid
- 06% of the “associates” we have spoken with believe taxes are paid.
- 39% of the “associates” we have spoken with were uncertain if taxes are paid.

At the very least, this reflects a broad scale disregard for VAT and any other taxes paid on both sales and profits of USANA products in this scheme.



Conclusion

The above data from USANA's own financial disclosures and website leave little doubt that the bulk of its 87,000 associates in "Greater China" live on the Mainland. Most are induced to sign up for "Business Builder packs" (thus the triple entries in the USANA Genealogy reports, under the ruse that they live and sell in Hong Kong. Those crazy over-the-top conventions don't seem so innocent in light of the laws that people are encouraged to break in the name of "personal success". The numbers have already become ridiculous, and can only become more so.

The harsh reality is that, while the company and its top-of-the-pyramid agents rake in millions, that profit is being earned by exploitation and exposing naïve people to terrible consequences. The rank and file are all too easy to find, on the company's own website, on QQ.com and via email. There have already been individual arrests of USANA associates at the provincial level, as has been previously documented by Citron and elsewhere.

Appx 35% of USANA's sales and 45% of its growth are hanging on the slenderest of threads. Referring back to Glaxo's current challenges in China, any news that an attempt at serious enforcement of China's anti-MLM, tax collection or product licensing labeling laws will be too late.

And if by any conceivable chance, USANA has achieved this level of penetration of the Chinese market by spreading a few too-many gratuities, it could find itself afoul of US laws as well : in particular the Foreign Corrupt Practices Act.

"Companies and individuals found guilty of economic crimes under Chinese law face serious financial penalties and the claw-back of unlawful gains. Prison sentences are not just reserved for the individuals involved – senior managers are also liable for fines and incarceration."

<http://www.telegraph.co.uk/finance/newsbysector/epic/gsk/10192618/A-bitter-pill-for-Glaxo-in-China.html>

ANSWER THAT ON YOUR CONFERENCE CALL...

[PS: Lots of luck with that new ethics initiative!](#)