

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.

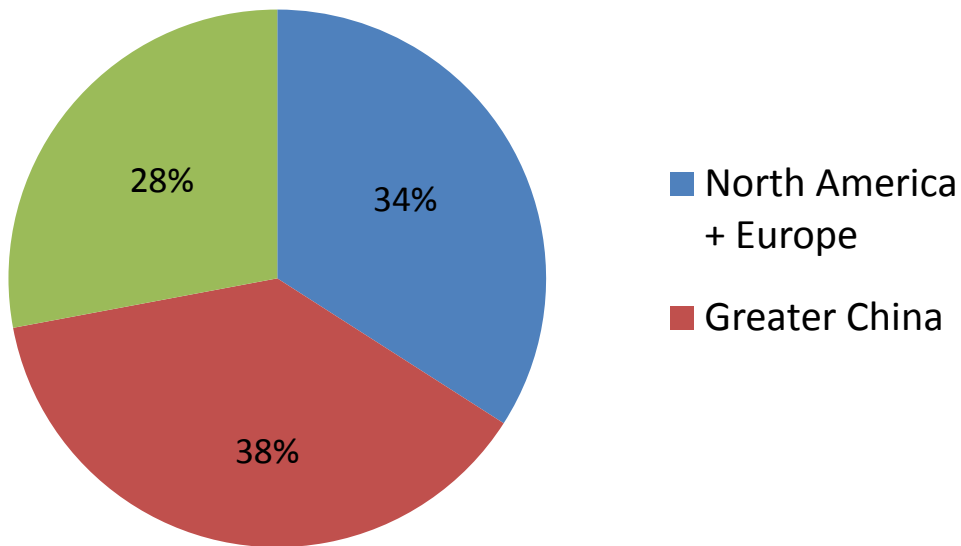
So how does this scheme work? Read on.

USANA by the numbers

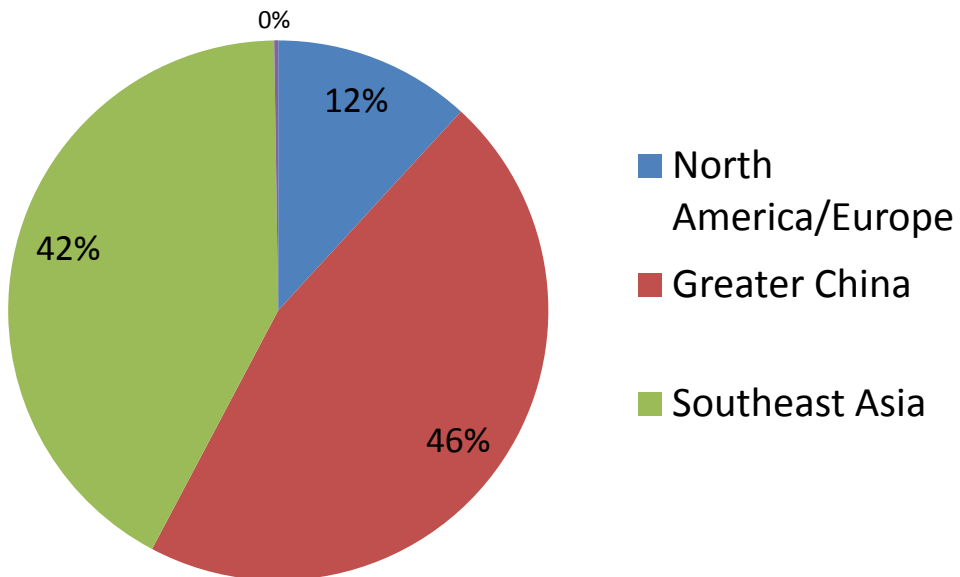
The following revenue table shows exactly how dependent USANA’s business is on growth in China:

	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

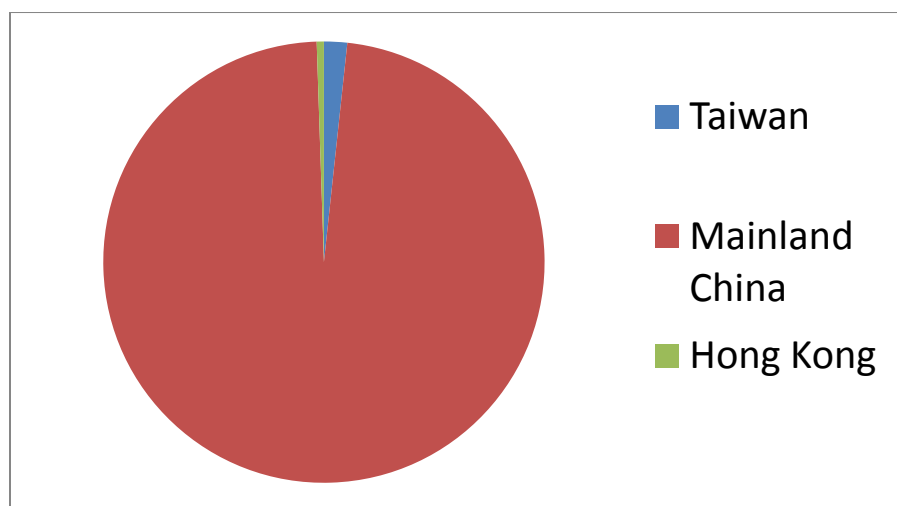


🍋🍋 The Elephant in the Room Question: What is really going on in “Greater China” ?

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.**

K7 8/21/2009																		
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O		Q	
1																		
2	Lvl	Business Ce	S	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	13910993996			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	13910993996			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	07/31/2013	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	07/31/2013	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	09/04/2009	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	Jiafen Feng	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	13980231177			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	L	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	Yang Geng	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	13552512980			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	13714401770			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	13560999810			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 Pipersbrook Crescent		
44	12	3412075.001	R	Weiying	Hou	Weiying 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	13560999810			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	3394819.001	R	Junwei	Xu	Junwei Xu	BC	09/08/2009	Kok Piu You	09/08/2009	11/27/2009	09/30/2010	1370907421			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	13823720144			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.**

Clipboard Font Alignment Number Styles Cells Editing										
I2 Address										
	A	B	C	D	E	F	G	H	I	J
1	Lvl	Business Cente	First Name	Last Name	Title	Qual Date	Phone Day	Address	City	
3	35	8704885.001	紅山	潘	BC	1/21/2011	13384651886	Rm 1906 Kwong Yat House Kwong Tin Estate	Kwong Tin Estate	
4	32	9042253.001	Guifang	Zuo	BC	3/16/2012	133968752	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
5	33	9042253.002	Guifang	Zuo	BC	3/16/2012	133968752	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
6	33	9042253.003	Guifang	Zuo	BC	3/16/2012	133968752	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
7	62	7861231.001	Yuhon	Zuo	BLDR	7/29/2011	1850058748	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
8	63	7861231.002	Yuhon	Zuo	BLDR	7/29/2011	1850058748	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
9	63	7861231.003	Yuhon	Zuo	BLDR	7/29/2011	1850058748	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
0	32	6735087.001	Liyan	Zou	BC	4/15/2011	1921178923	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
1	33	6735087.002	Liyan	Zou	BC	4/15/2011	1921178923	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
2	33	6735087.003	Liyan	Zou	BC	4/15/2011	1921178923	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
3	77	7879901.001	Min	Zou	NBC	#VALUE!	1819190964	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
4	78	9252347.001	Ming Ming	Zou	BC	1/13/2012	1819190973	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
5	79	9252347.002	Ming Ming	Zou	BC	1/13/2012	1819190973	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
6	79	9252347.003	Ming Ming	Zou	BC	1/13/2012	1819190973	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
7	57	9694491.001	Yuming	Zong	BLDR	7/15/2011	1962525949	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
8	58	9694491.002	Yuming	Zong	BLDR	7/15/2011	1962525949	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
9	58	9694491.003	Yuming	Zong	BLDR	7/15/2011	1962525949	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
10	71	8825283.001	Mingming	Zon	BC	10/14/2011	18001543760	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
11	72	8825283.002	Mingming	Zon	BC	10/14/2011	18001543760	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
12	72	8825283.003	Mingming	Zon	BC	10/14/2011	18001543760	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
13	55	3716905.001	Xiaoming	Zhuge	BC	8/27/2010	1267508653	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
14	56	3716905.002	Xiaoming	Zhuge	BC	8/27/2010	1267508653	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
15	56	3716905.003	Xiaoming	Zhuge	BC	8/27/2010	1267508653	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
16	19	3793069.001	Yan	Zhuang	BC	11/12/2010	1331988960	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
17	61	8071199.001	Qian	Zhu Ge	BC	1/6/2012	1819190917	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
18	62	8071199.002	Qian	Zhu Ge	BC	1/6/2012	1819190917	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
19	62	8071199.003	Qian	Zhu Ge	BC	1/6/2012	1819190917	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
20	24	3358309.001	Baochao	Zhu	BC	9/11/2009	152465108	Rm 1906 Kwong Yat House Kwong Tin Estate		
21	25	3302893.001	Changqiang	Zhu	SHR	6/5/2009	1701895956	Rm 1906 Kwong Yat House Kwong Tin Estate		
22	26	3302893.002	Changqiang	Zhu	SHR	6/5/2009	1701895956	Rm 1906 Kwong Yat House Kwong Tin Estate		
23	26	3302893.003	Changqiang	Zhu	SHR	6/5/2009	1701895956	Rm 1906 Kwong Yat House Kwong Tin Estate		
24	45	7816769.001	Chao	Zhu	BC	10/14/2011	191786938	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
25	46	7816769.002	Chao	Zhu	BC	10/14/2011	191786938	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
26	46	7816769.003	Chao	Zhu	BC	10/14/2011	191786938	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
27	33	3104425.001	Chengyuan	Zhu	BC	9/5/2008	1524651084	Rm 1906 Kwong Yat House Kwong Tin Estate		
28	34	3104425.002	Chengyuan	Zhu	BC	9/5/2008	1524651084	Rm 1906 Kwong Yat House Kwong Tin Estate		
29	34	3104425.003	Chengyuan	Zhu	BC	9/5/2008	1524651084	Rm 1906 Kwong Yat House Kwong Tin Estate		
30	62	7256289.001	Fuzhou	Zhu	NBC	#VALUE!	1862555172	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
31	24	3040263.001	Haixia	Zhu	BC	1/4/2008	1386093337	Rm 1906 Kwong Yat House Kwong Tin Estate		
32	52	3667923.001	Hengfeng	Zhu	BC	9/17/2010	1265617947	Rm 1906 Kwong Yat House Kwong Tin Estate		
33	53	3667923.002	Hengfeng	Zhu	BC	9/17/2010	1265617947	Rm 1906 Kwong Yat House Kwong Tin Estate		
34	53	3667923.003	Hengfeng	Zhu	BC	9/17/2010	1265617947	Rm 1906 Kwong Yat House Kwong Tin Estate		
35	27	3000995.001	Jian	Zhu	BC	7/27/2007	143681850855	Rm 1906 Kwong Yat House Kwong Tin Estate		
36	64	8253315.001	Jian Li	Zhu	BC	1/6/2012	1819190934	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
37	65	8253315.002	Jian Li	Zhu	BC	1/6/2012	1819190934	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
38	65	8253315.003	Jian Li	Zhu	BC	1/6/2012	1819190934	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
39	66	9153127.001	Jian Li	Zhu	BC	1/13/2012	13819190953	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
40	67	9153127.002	Jian Li	Zhu	BC	1/13/2012	13819190953	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
41	67	9153127.003	Jian Li	Zhu	BC	1/13/2012	13819190953	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	
42	20	3026825.001	Jianping	Zhu	BC	1/18/2008	0-13386093327	Rm 1906 Kwong Yat House Kwong Tin Estate	Tin Lam Kowloon	



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.

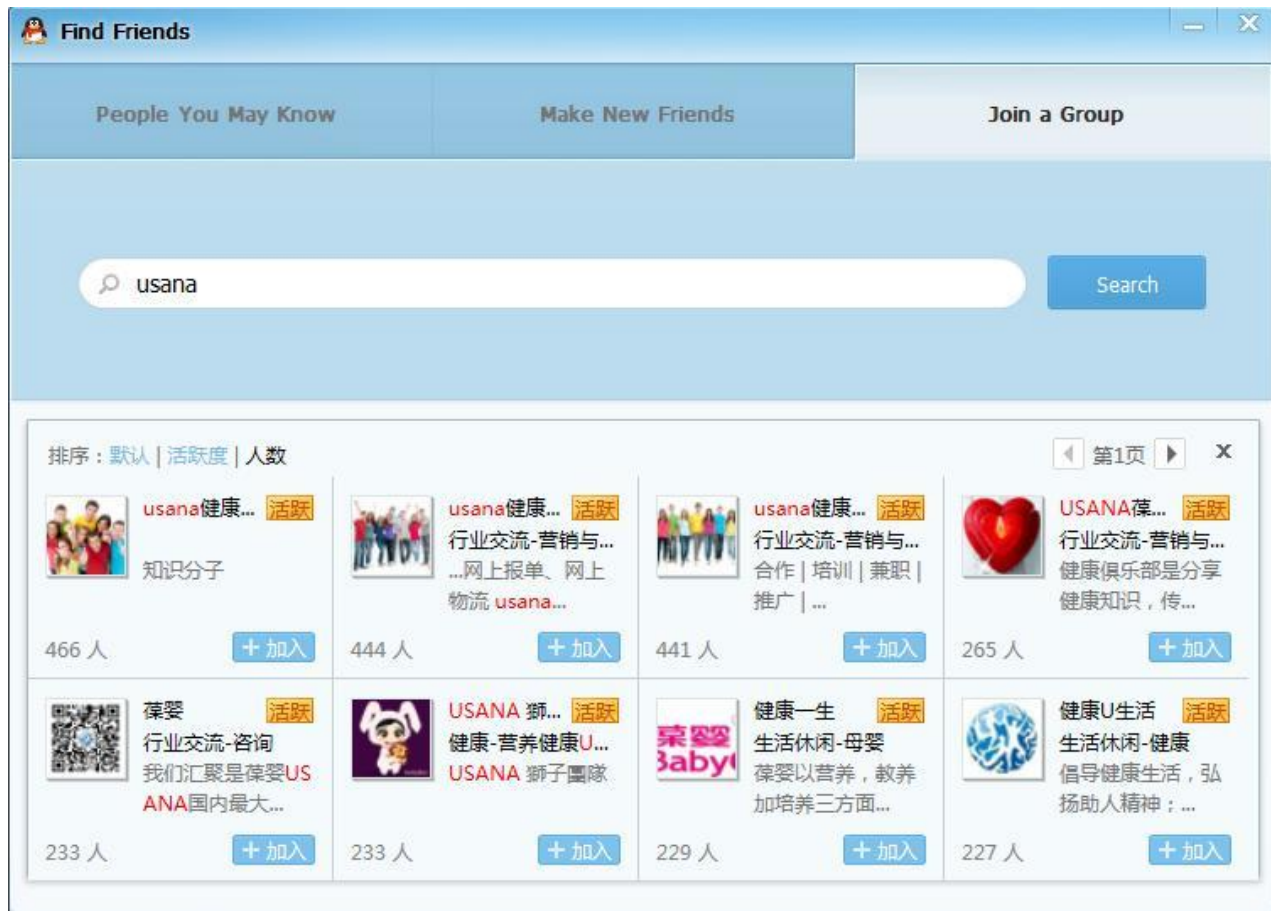
Question: Which bank is the check from?

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
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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 & Leslie Maki
Bryan & Monica Penrod
Rita Hud
Dean & Sherri Chionis & Matt Chionis
Dan & Rebecca Brink
Patty & John Abraham
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Dixie Moore
John Ross Appleton
Vivian & Neil Reinhart
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Penelope & Phil Kirk
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Lyne & Germain Lafortune
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Gregory Stevens
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Elaine Lee
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J'en El
Colette Evans
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Hou Ya Chen & Joy C.J. Huang
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Takashi Kakino
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Chun-Ming Chang & Aileen Zhou
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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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Profile

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*****

Email: -

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Uasna, Linda Ju's QQ profile

linda's Info

 View HD Photo

Profile

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*****

Email: 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!](#)