



Fraud Discovery Institute Issues Alert Chronicling Alleged Material Improprieties in China by U.S. Public Company, Usana Health Sciences Inc.

For Immediate Release

SAN DIEGO/EWORLDWIRE/Oct. 19, 2007 --- The Fraud Discovery Institute (FDI) today made public an alert it has issued to the Chinese government and FBI chronicling alleged material improprieties committed by Utah-based Usana Health Sciences, Inc. (NASDAQ: USNA).

The report summarizes an undercover, two month-long investigation in Hong Kong, China and the USA. Findings indicate that Usana allegedly conducts multi-level marketing activities in China where such practices are banned, that Usana does not possess a license to engage in retail sales in China, that Chinese nationals are illegally placed in down-lines of Usana associates from all around the world, that Usana employees help Chinese Nationals structure phantom Hong Kong addresses and even where they should bank to receive illegal commissions, that Usana has some 30,000 active distributors in China, that Usana omits all material information from China activities in its SEC filings, and that Usana was publicly embarrassed in 2004-2005 for similar illegal activities. The report is posted in full on a new Web site, '<http://www.cheatinginchina.com>'.

"The results of Fraud Discovery Institute's two-month long investigation into Usana's apparent business activities in China show a conspiracy to conceal an underground, illegal operation," says Barry Minkow, co-founder of Fraud Discovery Institute. "Why bother with expensive licensing when you can run an underground operation without paying the Chinese government fees or deal with their burdensome restrictions? We believe Usana is engaging in illegal business activities and conspiring to conceal them from U.S. and Chinese regulators and investors."

Some of FDI's findings include:

- Neither Usana nor its distributors have appropriate legal approval to conduct business in or from China.
- In official SEC filings, Usana states that Hong Kong represents its fastest growing market by a substantial percentage increase (81.1 percent year-over-year growth) and that Hong Kong represents the greatest active associate growth (116 percent increase year-over-year), but Usana appears to omit all material information in connection with its Hong Kong/China operations in SEC filings.
- FDI brought in several Hong Kong and China-based investigators to legally secure information about Usana's current operations. One of those licensed investigators personally interviewed Usana Distributor Services director/employee Lesley Law in Hong Kong, who stated that Usana currently has some 30,000 active distributors in China.
- Allegedly, Chinese nationals are illegally placed in down-lines of Usana associates not only from Hong Kong but also in down-lines of associates from Australia, the USA, Canada and Malaysia. This prevents the company from localizing the massive problem to just Hong Kong and means that much of their world wide numbers are "juiced," as earnings targets appear to only be achieved through the illegal placing of Chinese nationals in certain Usana down-lines.
- Usana touts Rita Hui of Hong Kong as the company's first distributor in history to reach 7-star Diamond status, saying Ms. Hui "surpassed every other Usana associate throughout the world to become the first 7-Star Diamond Director in the company," in only three and one half years.
- FDI uncovered a Web site, written in Mandarin and translated, that appears to reveal step-by-step instructions for residents of China to open Usana multi-level marketing businesses using a Hong Kong bank account.
- Usana's Hong Kong office ships to various addresses that they know to be "front" addresses for Chinese residents and even helps structure the deception by instructing Chinese nationals to open bank accounts in China that allow for Chinese residents to receive deposits (commissions) and access the money in Hong Kong for work done by recruiting (albeit illegally) other Chinese nationals.

- In 2004 and 2005, Usana was publicly embarrassed in China for similar illegal, recurring activity and forced to address the problem of "trafficking" in China without a license. Based on this past issue, Usana knows the laws of the Chinese government, had experienced an embarrassing incident as a result of apparently abusing those laws, and then just continued with increased zeal to expand their illegal Chinese operations all the while risking public scrutiny if caught.

The 17-page report has an additional 20 pages of addendums that include transcripts of correspondence between FDI investigators and Usana distributors and employees in China and Hong Kong, a translation of a Chinese website allegedly describing how to set up an unlicensed Usana business in China, past media coverage China's crackdown on unlicensed direct sellers, and past media coverage of Usana's activities in China and interview summaries of in person meetings.

Barry Minkow concludes, "The extensive evidence from phone calls, in-person meetings, e-mails and Web sites all corroborate that Usana appears to be complicit in orchestrating an ongoing conspiracy to conceal from the Chinese and U.S. governments the true nature of its underground multi-level marketing business activities in China. Regardless of the Chinese government's ability to catch and prosecute offenders, public company regulations in the United States do not take lightly a company's efforts to illegally increase sales. America cannot be viewed as a safe haven for companies that aid and abet Chinese nationals to commit crimes in the form of an illegal multi-level marketing business model rightfully banned in that country."

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