



Fraud Discovery Institute Issues Report on Public Company Usana Health Sciences, Inc., Documenting Multiple Alleged Misrepresentations, Material Non-Disclosures and an Untenable Business Model

-Wall Street Journal Breaks Story Today-

SAN DIEGO, March 15 /PRNewswire/ -- The Fraud Discovery Institute, under the direction of Barry Minkow, has issued a report on public company, Usana Health Sciences, Inc., alerting authorities to possible fraud and also raising questions about the legitimacy of the entire multi-level marketing industry. The Wall Street Journal reported the story today.

Minkow's 500 page report, addressed to the FBI, SEC and IRS and now posted on <http://www.frauddiscovery.net>, raises many serious concerns about Usana, including the company's alleged untenable business model whereby no less than 85% of current distributors are losing money and no less than 74% of distributors fail within the first year. Yet these distributors account for 86% of the company's multi-level marketing revenue.

The report also documents another secret of the Usana business -- specifically that only 3% of distributors receive 70% of company-paid commissions, which, in turn, skews the alleged "average income figure" for distributors posted on the company's web site.

Minkow also attacked the very heart of the Usana business model by allegedly debunking the myth that manufacturer direct-to-distributor sales and purchases saves distributors and preferred Usana customers "75%" because it avoids the traditional method of retail sales with national, regional and local retail outlets marking up the cost of the item. However, by hiring two accredited, independent labs, the Fraud Discovery Institute appears to have demonstrated that Usana's best selling vitamin products are hopelessly overpriced and, in one example, were over 400% more expensive than a comparable over the counter health food store-bought product. "If this is the case, one would expect the company to struggle with reselling these products because of their huge markup. The evidence appears to show just that, as only 14% of company revenues stem from retail sales."

According to Minkow: "From 2003 to 2006 the company repurchased 3,881,000 in stock with cash from operations totaling 133,377,000, while insiders sold off over 95 million in exercised options. That, in itself, is not wrong, but since the operating cash of the company to repurchase these shares came from the undisclosed attrition rates of collapsed distributors who had bought into the "True Wealth" dream of Usana, but instead lost money and went into further debt, the Usana management literally funded stock buy backs that enriched themselves from those failed distributors who could least afford to lose money. That is wrong, that is evil," Minkow said.

Moreover, while Wall Street analysts who follow Usana continue to recommend a strong buy for the stock, the Minkow report may demonstrate a material failure by many analysts to understand the 'below the iceberg' effects of the Usana numbers. Says Minkow, "While many analysts point to things like EBITA and EPS, they ignore -- because they are purposely kept in the dark by Usana's failure to disclose material facts -- critical factors such as the obvious: the largest portion of Usana's revenue comes from distributors who are in a constant state of collapse with 85% of these distributors losing money and no less than 74% failing within a 12 month time period, causing significant saturation challenges that will materially

impact the company."

"If new distributors knew about failure and collapse rates, the inability to resell hopelessly overpriced products and that most of the money paid in commissions goes to the top 3% of the Usana distributors, Usana's ability to attract new distributors would be materially adversely affected, which appears to be why they have chosen not to disclose any of these facts."

There are also significant management credibility issues with Dr. Myron Wentz, the company Chairman and Founder and majority stock holder, who renounced his U.S. citizenship and misrepresented the location of the entity that controls 46% of Usana stock -- it is in the tax-haven country of Liechtenstein.

The unique aspect of the detailed report is the Fraud Discovery Institute's approach. The report's premise, referred to time and again, is that while the FTC may have chosen to not prosecute MLM companies for material non-disclosures, misrepresentations and other similar apparent violations, Minkow contends that the SEC, not the FTC, has the legal standing to hold Usana Health Sciences, Inc. accountable for their material misrepresentation based on their publicly traded status.

And if anyone knows the SEC, it is Mr. Minkow, who, although once prosecuted by the SEC for stock fraud in the 1980's, has now helped the Commission uncover a multitude of ongoing financial crimes in progress with an assessed value of hundreds of millions of dollars. When asked why he chose the SEC route instead of the FTC route, Minkow responded: "The bar for public companies is much higher. And, while private MLM's may enjoy freedom from prosecution for certain conduct, my experience reveals that the SEC has no patience or tolerance for these kinds of material misrepresentations and omissions." He later said, "Mr. Cox, shut this company down!"

Co-founder Barry Minkow is the one of the country's foremost experts in investment fraud and a New York Times bestselling author. His two books, *Cleaning Up and Down But Not Out*, tell his remarkable story: the 20 year-old Wall Street Wiz Kid who became the youngest ever CEO of a public company, only to be later convicted of one of the biggest frauds on Wall Street. Given the toughest white-collar prison sentence of his time, Minkow served nearly 8 years in prison and was ordered to "fight corporate fraud" upon his release. To date, Minkow has uncovered 17 major frauds, totaling over 1 billion dollars.

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