

USANA HEALTH SCIENCES INC
Form DEF 14A
March 26, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

USANA Health Sciences, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table of Contents

3838 West Parkway Boulevard

Salt Lake City, Utah 84120-6336

(801) 954-7100

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 28, 2010

Edgar Filing: USANA HEALTH SCIENCES INC - Form DEF 14A

Dear Shareholder:

You are invited to attend the Annual Meeting of Shareholders of USANA Health Sciences, Inc., to be held at its corporate headquarters, 3838 West Parkway Boulevard, Salt Lake City, Utah 84120 on April 28, 2010 at 11:00 a.m., Mountain Daylight Time, for the following purposes:

1. To elect five directors to serve for one year each, until the next Annual Meeting of Shareholders and until a successor is elected and shall qualify;
2. To ratify the selection of PricewaterhouseCoopers LLP as USANA's independent registered public accountant for the fiscal year 2010; and
3. To consider and act upon such other business as may properly come before the meeting or at any postponement or adjournment thereof.

Only USANA shareholders of record at the close of business on March 5, 2010, have the right to receive notice of, and to vote at, the Annual Meeting of Shareholders and any adjournment thereof. A list of shareholders entitled to receive notice and to vote at the meeting will be available for examination by a shareholder for any purpose that is germane to the meeting during ordinary business hours at the offices of USANA at 3838 West Parkway Boulevard, Salt Lake City, Utah, during the ten days prior to the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, YOU ARE REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED STAMPED ENVELOPE.

By Order of the Board of Directors,

James H. Bramble
Corporate Secretary

Salt Lake City, Utah

March 26, 2010

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on April 28, 2010:

Our Annual Report to Shareholders and the accompanying Proxy Statement are available online at www.usana.com.

Table of Contents

USANA HEALTH SCIENCES, INC.

ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

TABLE OF CONTENTS

<u>NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT</u>	1
<u>QUESTIONS AND ANSWERS</u>	3
<u>PROPOSAL #1: ELECTION OF DIRECTORS</u>	5
<u>BOARD OF DIRECTORS AND CORPORATE GOVERNANCE</u>	6
<u>Board Leadership Structure</u>	6
<u>Director Independence</u>	7
<u>Shareholder Communications with Directors</u>	7
<u>Committees of the Board of Directors</u>	7
<u>Risk Oversight and Management</u>	8
<u>Compensation Risk Analysis</u>	9
<u>Code of Ethics</u>	9
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	9
<u>EXECUTIVE OFFICERS</u>	10
<u>EXECUTIVE COMPENSATION</u>	12
<u>Compensation Discussion and Analysis</u>	12
<u>Role of Compensation Committee</u>	12
<u>Role of Corporate Leadership in Assisting Compensation Committee</u>	12
<u>Compensation Philosophy and Objectives</u>	12
<u>Compensation Consultants</u>	13
<u>Components of Compensation</u>	13
<u>Other Compensation</u>	16
<u>REPORT OF THE COMPENSATION COMMITTEE</u>	17
<u>SUMMARY COMPENSATION TABLE</u>	18
<u>GRANTS OF PLAN-BASED AWARDS</u>	19
<u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END</u>	20
<u>COMPENSATION OF DIRECTORS</u>	21
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	22
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	24
<u>PROPOSAL #2: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS</u>	25
<u>Policy on Pre-Approval of Audit and Permissible Non-Audit Services</u>	25
<u>Independence</u>	25
<u>Financial Statements and Reports</u>	25
<u>Services</u>	25
<u>REPORT OF THE AUDIT COMMITTEE</u>	26
<u>EMPLOYMENT CONTRACTS AND OTHER ARRANGEMENTS</u>	27
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	27
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	27
<u>OTHER MATTERS</u>	27
<u>ANNUAL REPORT</u>	28
<u>FURTHER INFORMATION</u>	28

Table of Contents

PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 28, 2010

The Board of Directors of USANA Health Sciences, Inc. (We, USANA, or the Company) is soliciting proxies to be used at the 2010 Annual Meeting of Shareholders (the Annual Meeting). Distribution of this Proxy Statement and the accompanying proxy card is scheduled to begin on or about March 26, 2010. The mailing address of USANA s principal executive offices is 3838 West Parkway Boulevard, Salt Lake City, Utah 84120-6336. If you attend the Annual Meeting, you may withdraw any prior vote by attending and voting in person on any matters that are brought properly before the meeting. USANA will pay all expenses of the meeting, including the cost of printing and mailing the proxy statement and related materials and the cost of the solicitation process.

QUESTIONS AND ANSWERS ABOUT THE MEETING

Edgar Filing: USANA HEALTH SCIENCES INC - Form DEF 14A

Why did I receive this proxy statement? We have sent you the Notice of Annual Meeting of Shareholders, this Proxy Statement, and the enclosed proxy or voting instruction card because the USANA Board of Directors is soliciting your proxy to vote at USANA's Annual Meeting of Shareholders, which will be held on April 28, 2010 at 11:00 a.m. at USANA's corporate headquarters at 3838 West Parkway Boulevard, Salt Lake City, Utah 84120. This Proxy Statement contains information about matters to be voted on at the Annual Meeting.

Who is entitled to vote? You may vote if you owned common stock as of the close of business on March 5, 2010. On March 5, 2010, there were 15,309,213 shares of our common stock that were outstanding and entitled to vote at the Annual Meeting.

How many votes do I have? Each share of common stock that you own at the close of business on March 5, 2010 entitles you to one vote.

What am I voting on? You will be voting on proposals to:

- Elect five directors to serve for one year each, until the next Annual Meeting of Shareholders or until a successor is elected and shall qualify;
- Ratify the selection of PricewaterhouseCoopers LLP as USANA's independent registered public accountant for the fiscal year 2010; and
- Consider and act upon such other business as may properly come before the meeting or at any postponement or adjournment thereof.

How do I vote? You can vote in the following ways:

- **By Mail:** If you are a holder of record, you can vote by marking, dating and signing your proxy card and returning it by mail in the enclosed postage-paid addressed envelope. If you hold your shares in the account or name of a broker or bank, or street name, please complete and mail the voting instruction card that you will receive from your broker or bank.
- **At the Annual Meeting:** If you are planning to attend the Annual Meeting and wish to vote your shares in person, we will give you a ballot at the meeting. If your shares are held in street name, you need to bring an account statement or letter from your broker, bank or other nominee, indicating that you are the beneficial owner of the shares on March 5, 2010, the record date for voting. **Even if you plan to be present at the meeting, we encourage you to complete and mail the enclosed card in advance of the meeting to vote your shares by proxy.**

Table of Contents

What if I return my proxy or voting instruction card but do not mark it to show how I am voting? Your shares will be voted according to the instructions you have indicated on your proxy or voting instruction card. You can specify whether your shares should be voted for all, some, or none of the nominees for director. You can also specify whether you approve, disapprove, or abstain from the other proposals. If no direction is indicated, your shares will be voted **FOR** the election of all of the nominees for director and **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accountant.

May I revoke my proxy or change my vote after I return my proxy card or voting instruction card? You may revoke your proxy or change your vote at any time before it is exercised in one of three ways:

- Notify our Corporate Secretary in writing before the Annual Meeting that you are revoking your proxy;
- Submit another proxy card (or voting instruction card if you hold your shares in street name) with a later date; or
- Vote in person on April 28, 2010, at the Annual Meeting.

What does it mean if I receive more than one proxy or voting instruction card? It means that you have multiple accounts at the transfer agent and/or with banks and stockbrokers. Please vote all of your shares by returning all proxy and voting instruction cards you receive.

What constitutes a quorum? A quorum must be present to properly convene the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares that are entitled to vote at the Annual Meeting constitutes a quorum. You will be considered part of the quorum if you return a signed and dated proxy or voting instruction card or if you attend the Annual Meeting. Abstentions and broker non-votes will be counted as shares present at the meeting for purposes of determining whether a quorum exists, but not as shares cast for any proposal. Because abstentions and broker non-votes are not treated as shares cast, they would have no impact on any of the proposals.

What vote is required in order to approve each proposal? The required vote is as follows:

Election of Directors: The election of the nominees for director requires the affirmative vote of a plurality of the shares cast at the Annual Meeting. This means that the five nominees receiving the greatest number of votes in favor of their election will be elected, even if they receive less than a majority of votes cast at the meeting. If you do not want to vote your shares for a particular nominee, you may so indicate in the space provided on the proxy card or on the voting instruction card. In the unanticipated event that any of the nominees is unable or declines to serve, the proxy holder will have the discretion to vote the proxy for another person, as shall be designated by the Board of Directors to replace the nominee, or, in lieu thereof, the Board may reduce the number of directors.

Ratification of the Selection of Independent Registered Public Accountant: *Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accountant requires the affirmative vote of a majority of the shares cast at the Annual Meeting. If the shareholders do not ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee of the Board of Directors may, but is not required to, reconsider such appointment.*

How will voting on any other business be conducted? *We do not know of any business or proposals to be considered at the Annual Meeting other than those that are described in this Proxy Statement. If any other business is proposed and we decide to allow it to be presented at the Annual Meeting, the proxies that we receive from our shareholders give the proxy holders the authority to vote on that matter according to their best judgment.*

Who will count the votes? *Broadridge Investor Communications Services will tabulate the votes that are received prior to the Annual Meeting. Representatives of USANA will act as the inspectors of election and will tabulate the votes, if any, that are cast in person at the Annual Meeting.*

Who pays to prepare, mail, and solicit the proxies? *We will pay all of the costs of soliciting these proxies. We will ask banks, brokers, and other nominees and fiduciaries to forward the proxy materials to the beneficial owners of our common stock and to obtain the authority of executed proxies. We will reimburse them for their reasonable expenses. In addition to the use of the mail, proxies may be solicited by our officers, directors, and other employees by telephone or by personal solicitation. We will not pay additional compensation to these individuals.*

Table of Contents

How do I submit a shareholder proposal for next year's Annual Meeting? Any shareholder who intends to present a proposal at the 2011 Annual Meeting of Shareholders must deliver such proposal to the Corporate Secretary, c/o USANA Health Sciences, Inc., 3838 West Parkway Blvd., Salt Lake City, Utah 84120, not later than November 27, 2010, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

Who should I call if I have questions? If you have questions about the proposals or the Annual Meeting, you may call Patrique Richards, USANA Investor Relations, at (801) 954-7100. You may also send an e-mail to investor.relations@us.usana.com.

PROPOSAL #1 ELECTION OF DIRECTORS

Edgar Filing: USANA HEALTH SCIENCES INC - Form DEF 14A

Our Bylaws provide that the shareholders or the Board of Directors shall determine the number of directors from time to time, but that there shall be no less than three directors. The Board of Directors, by resolution, has set the number of directors at five. The Governance and Nominating Committee of the Board of Directors has nominated and recommends for five directors to stand for re-election at the Annual Meeting. Each director who is elected at the Annual Meeting will hold office until the Company's Annual Meeting in 2011, until a successor is elected and qualified, or until the director resigns, is removed, or becomes disqualified. The Board of Directors has no reason to believe that any of the nominees for director will be unwilling or unable to serve, if elected. If due to unforeseen circumstances a nominee should become unavailable for election, the Board may either reduce the number of directors or may substitute another person for that nominee, in which event your shares will be voted for that other person.

Director Nominees

The nominees to the Board of Directors in 2010 are Robert Anciaux, Gilbert A. Fuller, Jerry G. McClain, Ronald S. Poelman, and Myron W. Wentz, Ph.D. All of these nominees currently serve as members of the Board of Directors. Messrs. Anciaux, McClain, and Poelman are independent directors under the rules of the Nasdaq stock exchange. The following information is furnished with respect to these nominees:

Robert Anciaux, 64, has served as a director of USANA since July 1996. Since 1990, he has been the Managing Director of S.E.I. s.a., a consulting and investment management firm in Brussels, Belgium. Additionally, since 1982 Mr. Anciaux has been self-employed as a venture capitalist in Europe, investing in various commercial, industrial, and real estate venture companies. In some of these privately held companies, Mr. Anciaux also serves as a director. Mr. Anciaux received an Ingenieur Commercial degree from Ecole de Commerce Solvay Universite Libre de Bruxelles. We believe Mr. Anciaux's qualifications to sit on our Board include his financial expertise and experience in providing consulting and strategic advisory services to complex organizations.

Gilbert A. Fuller, 69, has served as a director of USANA since September 2008. Prior to that, he served as our Executive Vice President, Chief Financial Officer, and Secretary since January 2006. Mr. Fuller joined USANA in May 1996 as the Vice President of Finance and served in this role until June 1999, when he was appointed as the Company's Senior Vice President. Mr. Fuller had served as the Company's Chief Financial Officer since October 1997. Before joining USANA, from January 1994 to May 1996, Mr. Fuller was the Executive Vice President of Winder Dairy, Inc., a regional commercial dairy operation. From May 1991 through October 1993, Mr. Fuller was Chief Administrative Officer and Treasurer of Melaleuca, Inc., a manufacturer and network marketer of personal care products. From July 1984 through January 1991, Mr. Fuller was the Vice President and Treasurer of Norton Company, a multinational manufacturer of ceramics and abrasives. He obtained his certified public accountant license in 1970 and kept it current until his career path developed into corporate finance. Mr. Fuller received a B.S. in Accounting and an M.B.A. from the University of Utah. We believe Mr. Fuller's qualifications to sit on our Board include his 12 years of experience as an executive officer of USANA, his deep understanding of our business, people and products, his 15 years of experience as a financial officer in the direct selling industry, as well as his accounting, finance and corporate strategy expertise.

Jerry G. McClain, 69, has served as a director of USANA since June 2001. Since January 2003, Mr. McClain has been self-employed, operating his own investment and real estate business in Salt Lake City, Utah. From August 2000 to December 2002, Mr. McClain was the Chief Financial Officer of Cerberian, Inc., a privately held company that was headquartered in Salt Lake City, Utah. From 1998 to 2000, Mr. McClain was the Chief Financial Officer and Sr. Vice President of Assentive Solutions, Inc., a company he also co-founded. From 1997 to 1998, Mr. McClain was the Chief Financial Officer for the Salt Lake Organizing Committee for the 2002 Winter Olympic Games. Before 1997, Mr. McClain served as a key financial advisor to many companies as an Audit Partner and a Managing Partner of Ernst & Young LLP for

Table of Contents

35 years in several cities throughout the world. Mr. McClain is a former CPA and a graduate from the University of Southern Mississippi and Oklahoma State University, where he received a B.S. in Accounting and an M.S. in Accounting, respectively. We believe Mr. McClain's qualifications to sit on our Board include his extensive international experience with accounting and financial matters for public companies, his years of experience as the chief financial officer of various organizations, his corporate governance expertise and his years of experience providing strategic advice to complex organizations.

Ronald S. Poelman, 56, has served as a director of USANA since 1995. Since 1994, he has been a partner in the Salt Lake City, Utah law firm of Jones, Waldo, Holbrook & McDonough, where he is head of the Corporate and Securities Practice Group. Mr. Poelman began his legal career in Silicon Valley in California, and has assisted in the organization and financing of numerous companies for almost 30 years. Mr. Poelman is the President of the Utah Chapter of the National Association of Corporate Directors and frequently lectures at the meetings of this and other organizations. Mr. Poelman received a B.A. in English from Brigham Young University and a J.D. from the University of California, Berkeley. We believe Mr. Poelman's qualifications to sit on our Board include his nearly 30 years of experience as a corporate, finance and securities attorney, his long association with and service to the National Association of Corporate Directors, as well as his corporate governance and strategy expertise.

Myron W. Wentz, Ph.D., 69, founded USANA in 1992 and has served as the Chief Executive Officer and Chairman of the Board of USANA since its inception. In July 2008, Dr. Wentz retired as Chief Executive Officer, but continues to serve as Chairman of the Board. In 1974, Dr. Wentz founded Gull Laboratories, Inc., which was a developer and manufacturer of medical diagnostic test kits and was the former parent corporation of USANA. Dr. Wentz served as Chairman of Gull from 1974 until 1998. In 1998, Dr. Wentz founded Sanoviv, S.A. de C.V. (Sanoviv), a health and wellness center that is located near Rosarito, Mexico. Joining a pathology group in Peoria, Illinois, from 1969 to 1973, Dr. Wentz served as infectious disease specialist and directed the microbiology and immunology laboratories for three hospitals in the Peoria area. He received a B.S. in Biology from North Central College, Naperville, Illinois, an M.S. in Microbiology from the University of North Dakota, and a Ph.D. in Microbiology and Immunology from the University of Utah. We believe Dr. Wentz's qualifications to sit on our Board include his vast education and professional experience as a microbiologist, immunologist, and pioneer in the development of human cell culture technology, as well as his service as our founder, Chairman and formerly as our Chief Executive Officer.

We will vote your shares as you specify in your proxy card. If you sign, date, and return your proxy card but do not specify how you want your shares voted, we will vote them FOR the election of each of the director nominees who are listed above.

RECOMMENDATION

The Board of Directors unanimously recommends a vote FOR each director nominee.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Edgar Filing: USANA HEALTH SCIENCES INC - Form DEF 14A

The Board of Directors is elected by and is accountable to the shareholders of the Company. The Board establishes policy and provides strategic direction, oversight, and control of the Company. The Board met seven (7) times during 2009. All directors attended at least 75% of the meetings of the Board and the Board Committees of which they are members.

Board Leadership Structure

Our founder, Dr. Myron Wentz, is the Chairman of our Board of Directors and David A. Wentz is our Chief Executive Officer, or CEO. The Board has not adopted a specific policy on whether the same person should serve as both the chief executive officer and chairman of the board or, if the roles are separate, whether the chairman should be selected from the non-employee directors or should be an employee. The Board believes it is most appropriate to retain the discretion and flexibility to make these determinations at any given point in time in the way that it believes best to provide appropriate leadership for the Company at that time.

Historically, Dr. Wentz has served as both Chairman of the Board and CEO of the Company. In 2008, however, Dr. Wentz retired as CEO and the Board appointed David A. Wentz as CEO. We believe it is now appropriate to separate the roles of CEO and Chairman of the Board as a result of the differences between the two roles. Our CEO is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Chairman of the Board provides guidance to the CEO and sets the agenda for Board meetings and presides over meetings of

Historically, Dr. Wentz has served as both Chairman of the Board and CEO of the Company. In 2008, however, Dr. ~~Wentz~~

Table of Contents

the full Board. **Although Dr. Wentz is not independent under the rules of the Nasdaq stock market, the Board believes the experience, leadership and vision he provides as Chairman of the Board is essential to the short and long term success of the Company. Additionally, the Board maintains a number of governance practices to ensure effective independent oversight of Board decisions, including (i) the appointment of strong, independent directors who constitute a majority of the Board and intimately understand the Company's business and industry; (ii) executive sessions of the independent directors in connection with every Board meeting; and (iii) annual evaluations of the performance of the Board, carried out by the independent directors.**

Director Independence

We assess director independence on an annual basis. The Board has determined, after careful review, that all of the current directors, other than Dr. Myron Wentz and Gilbert A. Fuller, who have also been nominated for election at the 2010 Annual Meeting are independent based on the applicable rules of the Nasdaq stock market and the applicable regulations of the Securities and Exchange Commission (the SEC).

Shareholder Communications with Directors

Edgar Filing: USANA HEALTH SCIENCES INC - Form DEF 14A

If the Company receives correspondence from its shareholders that is addressed to the Board of Directors, we forward it to every director or to the individual director to whom it is addressed. Shareholders who wish to communicate with the directors may do so by sending their correspondence to the director or directors at the Company's headquarters at 3838 West Parkway Blvd., Salt Lake City, Utah 84120-6336.

Directors are encouraged by the Company to attend the Annual Meeting of Shareholders if their schedules permit. All directors were present at the Company's Annual Meeting of the Shareholders that was held last year in April 2009.

Committees of the Board of Directors

Edgar Filing: USANA HEALTH SCIENCES INC - Form DEF 14A

The Board of Directors has a separately-designated standing Audit Committee, Compensation Committee, and Governance and Nominating Committee. Information about the composition and responsibilities of each committee is provided below.

Governance and Nominating Committee. The Governance and Nominating Committee of the Board of Directors (the Governance Committee) was established in February 2004. The Governance Committee met two (2) times during 2009. Members of the Governance Committee during fiscal 2009 and at the date of this Proxy Statement are Gilbert A. Fuller, Chairman, Robert Anciaux, Jerry G. McClain, and Ronald S. Poelman. Each member of the Governance Committee except for Mr. Fuller meets the definition of independent set forth in the rules of the Nasdaq stock market. The Board believes that, considering Mr. Fuller's 12 years of experience as an employee and executive officer of the Company, his sound judgment and his expertise with corporate governance matters, it is essential for him to serve as a member of the Governance Committee. As a result, in April 2009 the Board utilized the Controlled Company exemption under the rules of the Nasdaq stock market to appoint Mr. Fuller to the Governance Committee. The Board determined that the Company is a Controlled Company under the Nasdaq rules because Gull Holdings, Ltd. owns and controls more than 50% of the Company's outstanding shares of common stock. Gull Holdings, Ltd. is an entity that is solely owned and controlled by our founder and chairman, Dr. Myron Wentz.

A written charter has been adopted for the Governance Committee and can be accessed electronically in the Corporate Governance section of our website at www.usanahealthsciences.com. The Governance Committee's responsibilities include: (i) identifying and evaluating prospective nominees for director, (ii) recommending to the Board of Directors the director nominees for the next annual meeting of shareholders, (iii) periodically reviewing the performance of the Board and its members and determining the number, function, and composition of the Board's committees, and (iv) overseeing corporate governance matters. Additionally, in 2009 the Board delegated much of its responsibility for risk oversight and management to the Governance Committee. As such, beginning in 2009 and going forward, the Governance Committee will carry out these risk oversight and management functions as part of its corporate governance oversight and will report its findings with respect to risk oversight and management to the entire Board. More information about the Board's and Governance Committee's risk oversight and management practices is provided below under the caption Risk Oversight and Management.

The Governance Committee believes, among other things, that the Company's Board of Directors should be composed of directors with varied, complementary backgrounds, which reflect a diversity of viewpoints, backgrounds,

Table of Contents

experience and other factors. The Governance Committee also believes that directors should, at a minimum, (i) have expertise that may be useful to the Company, (ii) possess the highest personal and professional ethics, and (iii) be willing and able to devote the required amount of time to the Company's business. In light of these beliefs, the Governance Committee considers many factors in evaluating the suitability of candidates for Board membership, and also determining whether a director should be retained and stand for re-election, including: whether the candidate meets the requirements for independence; the candidate's background and experience, particularly in the Company's industry; the candidate's personal qualities, accomplishments, character and reputation in the business community; and the fit of the candidate's individual skills and personality with those of the Company's other directors.

The Governance Committee may from time to time consider qualified nominees who are recommended by shareholders. The Governance Committee does not have different standards for evaluating nominees based on whether they have been suggested by our shareholders or by our directors. Shareholders who wish to make such a recommendation may do so by sending a written notice, as described under the heading "How do I submit a shareholder proposal for next year's Annual Meeting?" in the section of this Proxy Statement titled "Questions and Answers about the Meeting." Nominees for director who are recommended by shareholders will be evaluated by the Governance Committee in the same manner as any other nominee for director.

Audit Committee. The Audit Committee of the Board of Directors (the "Audit Committee") is a standing committee of the Board, which has been established as required by the Securities Exchange Act of 1934 (the "Exchange Act") and the rules of the Nasdaq stock market. The Audit Committee met six (6) times during 2009. Members of the Audit Committee during fiscal 2009 and at the date of this Proxy Statement are Jerry G. McClain, Chairman, Ronald S. Poelman, and Robert Anciaux, each of whom meets the definition of "independent" set forth above. The Board has determined that Mr. McClain is an "audit committee financial expert," as defined by the applicable regulations promulgated by the Securities and Exchange Commission ("SEC") under the Exchange Act. The Board also believes that each member of the Audit Committee meets the Nasdaq composition requirements, including the requirements regarding financial literacy and financial sophistication. A written charter has been adopted for the Audit Committee and can be accessed electronically in the "Corporate Governance" section of our website at www.usanahealthsciences.com. The Audit Committee's responsibilities include: (i) appointing the independent registered public accountant of the Company, (ii) reviewing, approving and monitoring the scope and cost of any proposed audit and non-audit services that are provided by, as well as the qualifications and independence of, the independent registered public accountant, (iii) reviewing and monitoring with the independent registered public accountant, and internal audit staff the results of audits, any recommendations from the independent registered public accountant and the status of management's actions for implementing such recommendations, as well as the quality and adequacy of our internal financial controls and internal audit staff, and (iv) reviewing and monitoring the Company's annual and quarterly financial statements and the status of material pending litigation and regulatory proceedings.

Compensation Committee. The Compensation Committee of the Board of Directors (the "Compensation Committee") met four (4) times during 2009. Members of the Compensation Committee during fiscal 2009 and at the date of this Proxy Statement are Ronald S. Poelman, Chairman, Robert Anciaux, and Jerry G. McClain, each of whom meets the definition of "independent" set forth in the rules of the Nasdaq stock market. In addition, all members of the Compensation Committee are outside directors as defined by Rule 162(m) of the Internal Revenue Code and are non-employee directors as defined by the applicable regulations promulgated by the SEC under the Exchange Act. A written charter has been adopted for the Compensation Committee and can be accessed electronically in the "Corporate Governance" section of our website at www.usanahealthsciences.com. The Compensation Committee's responsibilities include: (i) reviewing and recommending to the full Board of Directors the salaries, bonuses, and other forms of compensation and benefit plans for management and (ii) administering USANA's equity compensation plans. The duties of the Compensation Committee as the administrator of those plans include, but are not limited to, determining those persons who are eligible to receive awards, establishing terms of all awards, authorizing officers of the Company to execute grants of awards, and interpreting the provisions of the equity compensation plans and grants that are made under those plans.

Risk Oversight and Management

Edgar Filing: USANA HEALTH SCIENCES INC - Form DEF 14A

Our Board of Directors is actively involved in the oversight and management of the material risks that could affect the Company. Historically, our Board of Directors has carried out its risk oversight and management responsibilities by both monitoring risk directly as a full board and, where appropriate, through Board committees. The Board's direct role in our risk management process includes receiving regular reports from our executive officers and other members of senior management on areas of material risk to the Company, including operational, strategic, financial, legal and regulatory risks. In 2009, the Board delegated much of its direct risk oversight and management responsibility to the Governance Committee. The mandate of the Governance Committee with respect to risk management is to work with management to create a top-down,

Table of Contents

streamlined and efficient risk process for assessing and reporting material risk to the Governance Committee and, ultimately, the Board. The Governance Committee worked with management to this end throughout much of 2009.

The Board has also historically delegated the oversight and management of certain risks to the Audit Committee and Compensation Committee. The Audit Committee is responsible for the oversight of Company risks relating to accounting matters, financial reporting and related party transactions. To satisfy these oversight responsibilities, the Audit Committee regularly meets with and receives reports from the Company's Chief Financial Officer, director of internal audit, the Company's independent registered public accountant, PricewaterhouseCoopers LLP, and the Company's in-house and outside counsel. The Compensation Committee is responsible for the oversight of risk relating to the Company's compensation and benefits programs. To satisfy these oversight responsibilities, the Compensation Committee regularly meets with and receives reports from the Company's Chief Executive Officer and Chief Financial Officer to understand the financial, human resources and shareholder implications of compensation and benefits decisions.

Compensation Risk Analysis

Our Compensation Committee considers the risk to the Company associated with each component of our executive compensation program, namely base salary, short-term incentive compensation and long-term incentive compensation. In considering these risks, the Compensation Committee believes that the following factors, among others, reduce the likelihood of excessive risk taking in connection with executive compensation at USANA:

- Our compensation components provide a balanced mix of (i) cash and equity compensation, (ii) short-term and long-term incentive compensation, and (iii) financial and non-financial performance metrics;
- All U.S. employees participate in the same short-term incentive program;
- Maximum pay-out levels for short-term incentive compensation are generally capped at 100% of an executive officer's and employee's base salary;
- Our equity awards generally vest over five years and are only valuable if the Company performs and our stock price increases over time;
- We maintain strict internal controls over the determination and pay-out of each component of executive compensation;
- We do not enter into employment, severance or other management agreements with any of our executive officers that contain post-termination or change-in-control payments; and