

## IN THE MATTER OF

## NU SKIN INTERNATIONAL, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3489. Complaint, April 1, 1994--Decision, April 1, 1994*

This consent order prohibits, among other things, the Utah-based marketing companies and their officers from making deceptive claims about their products or similar products, and requires them to possess competent and reliable scientific evidence to substantiate hair growth, wrinkle removal or burn claims, and performance, benefits, efficacy or safety claims of any food, drug, device or cosmetic they offer in the future. The respondents also are required to make certain disclosures regarding future earnings claims to prospective distributors and disgorge a total of \$1.225 million.

*Appearances*

For the Commission: *C. Steven Baker, Nicholas J. Franczyk and Mary E. Olson.*

For the respondents: *John D. Shuff, Robins, Kaplan, Miller & Ciresi, San Francisco, CA. David W. Scofield, Parsons, Davies, Kinghorn & Peters, Salt Lake City, UT. B. Ray Zoll, Zoll & Branch, Salt Lake City, UT.*

## COMPLAINT

The Federal Trade Commission, having reason to believe that Nu Skin International, Inc., CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent Nu Skin International, Inc. ("Nu Skin"), is a Utah corporation, with its principal office or place of

business at 75 West Center, Provo, Utah. Respondent Nu Skin, directly or indirectly, profits and benefits by and through the acts and practices of its distributors, including the acts and practices alleged in this complaint.

PAR. 2. Respondent CJM Inc., is a Utah corporation, with its principal office or place of business at 1565 East 3300 South, Salt Lake City, Utah. CJM, Inc. is the managing partner of CCC Partnership, an entity comprised of CJM, Inc., CST Management, Inc. and CK&C, Inc. CJM, Inc., directly or indirectly, profits and benefits by and through the acts and practices of Nu Skin distributors, including the acts and practices alleged in this complaint.

PAR. 3. Respondent CST Management, Inc., is a Utah corporation, with its principal office or place of business at 11 Northridge Way, Sandy, Utah. CST Management, Inc. is a general partner of CCC Partnership, an entity comprised of CJM, Inc., CST Management, Inc. and CK&C, Inc. CST Management, Inc., directly or indirectly, profits and benefits by and through the acts and practices of Nu Skin distributors, including the acts and practices alleged in this complaint.

PAR. 4. Respondent CK&C, Inc., is a Utah corporation, with its principal office or place of business at 3800 Sherwood Drive, Provo, Utah. CK&C, Inc. is a general partner of CCC Partnership, an entity comprised of CJM, Inc., CST Management, Inc., and CK&C, Inc. CK&C, Inc., directly or indirectly, profits and benefits by and through the acts and practices of Nu Skin distributors, including the acts and practices alleged in this complaint.

PAR. 5. Respondent Clara McDermott is a first-line distributor of Nu Skin's products and distributorships, a member of the Nu Skin Distributor's Advisory Board, and an officer and director of CJM, Inc. Individually or in concert with others, she formulates, directs, controls or participates in acts and practices on behalf of CJM, Inc., including the acts and practices alleged in this complaint. She also receives commissions and other profits from the sales of Nu Skin products by herself and other distributors. Her principal office or place of business is 1565 East 3300 South, Salt Lake City, Utah.

PAR. 6. Respondent Craig Tillotson is a distributor of Nu Skin's products and distributorships, a member of the Nu Skin Distributor's Advisory Board, and an officer and director of CST Management, Inc. Individually or in concert with others, he formulates, directs, controls or participates in acts and practices on behalf of CST

Management, Inc., including the acts and practices alleged in this complaint. He also receives commissions and other profits from the sales of Nu Skin products by himself and other distributors. His principal office or place of business is 11 Northridge Way, Sandy, Utah.

PAR. 7. Respondent Craig Bryson is a distributor of Nu Skin's products and distributorships, a member of the Nu Skin Distributor's Advisory Board, and an officer and director of CK&C, Inc. Individually or in concert with others, he formulates, directs, controls or participates in acts and practices on behalf of CK&C, Inc., including the acts and practices alleged in this complaint. He also receives commissions and other profits from the sales of Nu Skin products by himself and other distributors. His principal office or place of business is 3800 Sherwood Drive, Provo, Utah.

PAR. 8. Respondents are engaged in the advertising, promotion, offering for sale, sale, and distribution of numerous different products, including foods, drugs, devices, and cosmetics, designated as Facial Systems, Body Care Systems, Hair Care Systems, Interior Design Vitamins and Nutritional Supplements, and in the recruitment of distributors. The respondents have dominated, controlled, furnished the means, instrumentalities, services and facilities for, and/or condoned or approved the acts and practices referred to below.

PAR. 9. Respondents have developed a multilevel marketing plan to sell Nu Skin products through distributors to consumers. The marketing plan allows distributors to earn money by selling the products at a suggested mark-up to consumers. Distributors also recruit and train other individuals to be distributors in the respondents' marketing plan. Distributors earn money based on purchases from Nu Skin made by these recruits and others who they, in turn, recruit to be distributors.

PAR. 10. Respondents have established the marketing plan, and recruited distributors, for the purpose of promoting, selling, or otherwise distributing Nu Skin products and merchandise. Among other things, Nu Skin provides each new distributor with a sales kit that contains brochures, order forms, and other materials identifying Nu Skin, that are intended to be, and are, used by distributors in their sales efforts.

PAR. 11. Respondents have advertised, promoted, offered for sale, sold, and distributed: (a) Nutriol Hair Fitness Preparation ("Nutriol"), a topically applied non-prescription hair treatment

product; (b) Face Lift with Activator ("Face Lift"), a topically applied non-prescription facial treatment product; and (c) Celltrex, a topically applied non-prescription skin treatment product. These products are "drugs" and/or "cosmetics" within the meaning of Sections 12 and 15 of the Federal Trade Commission Act.

PAR. 12. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

#### NUTRIOL

PAR. 13. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials for Nutriol, including but not necessarily limited to the attached Exhibits A through I. These advertisements and promotional materials contain the following statements and depictions:

A. "...we have a product that has been shown to grow hair in two to three months ... and there are absolutely no side effects." (Exhibit A.)

B. "...corrects abnormal hair loss in a high percentage of users. New hair growth is also realized in a high percentage of users." (Exhibit B.)

C. "the 'treatment which cures baldness' ... 'baldness is conquered'..." (Exhibit B.)

D. "I have about 20 percent more hair now than I did before using Nutriol. Moreover, the rate of hair loss is noticeably less than before I started using Nutriol." (Exhibits B and E.)

E. "To avoid FDA red tape, Nutriol is being marketed as a 'hair fitness preparation' ... All information points to Nutriol as being the best remedy available for hair loss. Even the highly touted minoxidil -- Upjohn Pharmaceutical's proposed hair restoration drug -- seems to have a lower percentage of success..." (Exhibit C.)

F. "At last...effective products stimulate natural hair growth without harmful side effects.

\* \* \*

The following is a comparative chart designed to help you review the benefits of the three proven effective natural hair growth products available on the market today.

|                                                            | Complaint       |           | 117 F.T.C.           |
|------------------------------------------------------------|-----------------|-----------|----------------------|
|                                                            | NUTRIOL         | FOLTENE   | MINOXIDIL<br>ROGAINE |
| Is it a Drug?                                              | No              | No        | Yes                  |
|                                                            | * * *           |           |                      |
| Success rate can be extended to 98% with professional help | Up to 90%, plus | Up to 63% | Up to 35%            |
| Success rate at stopping hair loss ..."<br>(Exhibit D.)    | 100%            | 75%       | Up to 50%            |

G. "Does Nutriol work? Crinos claims the following figures for its users:

|                  |       |      |
|------------------|-------|------|
| TOTAL regrowth   | ..... | 16%  |
| PARTIAL regrowth | ..    | 74%  |
| NO effects       | ...   | 70%" |

(Exhibit E.)

H. "There has been a major breakthrough in a product that drastically reduces hair loss, and in many cases, actually regenerates new growth and thickens a person's natural head of hair. This product [is] known as Nutriol ...." (Exhibit F.)

I. "... if a person is realizing abnormal hair loss and notices the hair thinning out, Nutriol really can help correct this problem and, in many cases, regenerate growth." (Exhibits E and F.)

J. "Stop Losing Hair ... Ask How" (Exhibit G.)

K. "Nutriol is a big time hair-growth product in Europe, where it is marketed as Foltene ... Does it work? Europeans and Nutriol's US distributors say it does." (Exhibit H.)

L. Side-by-side top or front photographs of the heads of various different individuals with the statements "before using Nutriol" appearing directly below one set of photographs and "after using Nutriol" appearing above the other set of photographs, and further contain the following statement: "In just seven months ... I am ... experiencing new growth all along my once receding hairline and in the crown area." (Exhibit I.)

PAR. 14. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph thirteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A through I, respondents have represented, directly or by implication, that:

- A. Nutriol will stop, prevent, cure, relieve, reverse or reduce hair loss;
- B. Nutriol will promote the growth of hair where hair has already been lost;
- C. Nutriol is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss;
- D. Competent and reliable data show that Nutriol is effective in stopping hair loss and promoting hair growth.

PAR. 15. In truth and in fact:

- A. Nutriol will not stop, prevent, cure, relieve, reverse or reduce hair loss;
- B. Nutriol will not promote the growth of hair where hair has already been lost;
- C. Nutriol is not as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss; and
- D. Competent and reliable data do not show that Nutriol is effective in stopping hair loss and promoting hair growth.

Therefore, the representations set forth in paragraph fourteen were, and are, false and misleading.

PAR. 16. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph thirteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A through I, respondents have represented, directly or by implication, that at the time they made the representations set forth in paragraph fourteen, respondents possessed and relied upon a reasonable basis that substantiated such representations.

PAR. 17. In truth and in fact, at the time they made the representations set forth in paragraph fourteen, respondents did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representation set forth in paragraph sixteen was, and is, false and misleading.

#### FACE LIFT

PAR. 18. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the

participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials for Face Lift, including but not necessarily limited to the attached Exhibits J through N. These advertisements and promotional materials contain the following statements and depictions:

A. "Their non-surgical face lift will actually remove wrinkles better than Retin-A." (Exhibit J.)

B. "Nu Skin's non-surgical face lift -- now this face lift is all natural. And it will actually pull wrinkles off your face better than Retin-A, with no negative side effects." (Exhibit K.)

C. "... a product that can roll ten years off their faces better than Retin-A." (Exhibit L.)

D. "It increases the skin's tone and elasticity ... We can illustrate the marketing power of a product like our non-surgical Face Lift by looking at the history of a drug called Retin-A ... The year it was announced that Retin-A was also effective in easing lines and wrinkles off the face, sales of Retin-A increased ... Now Retin-A is a dangerous drug with significant side effects, available by prescription only. Our product is all natural with absolutely no side effects. Clearly superior to anything in the market today." (Exhibit M.)

E. Side-by-side front photographs of the faces of an individual and further contain the following statement: "GET RID OF WRINKLES! ... NON-SURGICAL FACELIFT" (Exhibit N.)

PAR. 19. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph eighteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits J through N, respondents have represented, directly or by implication, that:

A. Face Lift will permanently remove facial wrinkles; and

B. Face Lift is as effective as, or more effective than, the prescription drug tretinoin (currently known as Retin-A) in the removal of facial wrinkles.

PAR. 20. In truth and in fact:

A. Face Lift will not permanently remove facial wrinkles; and

B. Face Lift is not as effective as, or more effective than, the prescription drug tretinoin (currently known as Retin-A) in the removal of facial wrinkles.

Therefore, the representations set forth in paragraph nineteen were, and are, false and misleading.

PAR. 21. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph eighteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits J through N, respondents have represented, directly or by implication, that at the time they made the representations set forth in paragraph nineteen, respondents possessed and relied upon a reasonable basis that substantiated such representations.

PAR. 22. In truth and in fact, at the time they made the representations set forth in paragraph nineteen, respondents did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representation set forth in paragraph twenty-one was, and is, false and misleading.

#### CELLTREX

PAR. 23. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials for Celltrex, including but not necessarily limited to the attached Exhibit O. These materials prominently feature side-by-side photographs of the leg of an individual and further contain the following statement:

"I received second and third degree burns to my legs ... They [doctors] said that I would need skin grafting on my right leg ... [and] that without skin grafting, my leg would be disfigured, tight and scarred in color, and that I would not have full movement near my ankles because the skin would grow back tight. At that time, the grafting seem to be the only answer -- until I was introduced to [Celltrex] ... [Celltrex] has been tested on burn victims with success in healing tissue. I started to use the Celltrex ... They postponed all three surgeries because all the skin came back in less than 90 days. My skin feels normal in texture and where they told me I'd never have hair on my leg, I have hair."

PAR. 24. Through the use of the statement and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-three, including but not necessarily limited to the advertisement and promotional material attached as Exhibit O, respondents have represented, directly or by implication, that Celltrex will promote the healing of third degree burns.

PAR. 25. In truth and in fact Celltrex will not promote the healing of third degree burns. Therefore, the representation set forth in paragraph twenty-four was, and is, false and misleading.

PAR. 26. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-three, including but not necessarily limited to the advertisement and promotional material attached as Exhibit O, respondents have represented, directly or by implication, that at the time they made the representation set forth in paragraph twenty-four, respondents possessed and relied upon a reasonable basis that substantiated such representation.

PAR. 27. In truth and in fact, at the time they made the representation set forth in paragraph twenty-four, respondents did not possess and rely upon a reasonable basis that substantiated such representation. Therefore, the representation set forth in paragraph twenty-six was, and is, false and misleading.

#### EARNINGS CLAIMS

PAR. 28. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials regarding the sale of the Nu Skin products, the profitability of being a distributor for Nu Skin, and the recruitment of still additional distributors, including, but not necessarily limited to the attached Exhibits M, P, Q, and R. These advertisements and promotional materials contain the following statements:

A. "\$14,000 a month ... \$168,000 a year ... a lot of other people are doing it right now." (Exhibit M.)

B. "... on a part time basis [earn] a monthly net of \$7168 ... that's \$85,000 a year." (Exhibit M.)

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C. "If you're not earning \$10,000 a month or more We Need To Talk!" (Exhibit P.)

D. "... be one of the first 25 people I will help get earning well over \$100,000 in the next 12-24 months." (Exhibit Q.)

E. "The people we start working with locally will earn in excess of \$60,000 - \$80,000 their first year without jeopardizing their present income." (Exhibit R.)

F. "Sales Organization Growth Duplication

|       |       |       |       |       |   |   |   |   |
|-------|-------|-------|-------|-------|---|---|---|---|
| 5     | X     | 5     | X     | 5     | X | 5 | X | 5 |
| 1 Mo. | 2 Mo. | 3 Mo. | 4 Mo. | 5 Mo. |   |   |   |   |
| 5     | 25    | 125   | 625   | 3125  |   |   |   |   |

4000 Salespeople

Worst Case Attrition

75% (4000 X .25) = 1000

Remaining 1000

Worst Case Sales

\$100/Mo. X 1000 Sales People = \$100,000 Volume

14% Commission X \$100,000 Volume = \$14,000/Mo.

\$14,000 Per Month

\$168,000 Per Year"

(Exhibit M.)

PAR. 29. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-eight, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits M, P, Q, and R, respondents have represented, directly or by implication, that the amount of money represented by these statements is representative, or typical, of what individuals who become Nu Skin distributors will generally achieve on a monthly or annual basis.

PAR. 30. In truth and in fact, the amount of money represented by these statements and depictions is not representative, or typical, of what individuals who become Nu Skin distributors will generally achieve on a monthly or annual basis. Therefore, the representation set forth in paragraph twenty-nine was, and is, false and misleading.

PAR. 31. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-eight, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits M, P, Q, and R, respondents have represented, directly or by implication, that at the time they made the representation set forth in paragraph twenty-nine, respondents possessed and relied upon a reasonable basis that substantiated such representation.

PAR. 32. In truth and in fact, at the time they made the representation set forth in paragraph twenty-nine, respondents did not possess and rely upon a reasonable basis that substantiated such representation. Therefore, the representation set forth in paragraph thirty-one was, and is, false and misleading.

PAR. 33. In the advertising, promotion, offering for sale, and sale of distributorships, respondents have represented that Nu Skin distributors can reasonably expect to earn substantial sums of money. Respondents have failed to disclose that only a very small percentage of distributors have earned more than a small monthly income. These facts would be material to consumers in their decision to become distributors. The failure to disclose these facts, in light of the representations made, was, and is, a deceptive practice.

PAR. 34. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices and the making of false advertisements in or affecting commerce in violation of Sections 5(a) and 12 of the Federal Trade Commission Act.

## EXHIBIT A

**EXHIBIT**

There are no hair-growing claims on the twelve-bottle box of solution. So who's telling people it grows hair? The public, that's who. And who's selling the stuff? The public. Nutril isn't sold in stores; it's sold through what's called

Here's Nutril's background: Crinos, based in Como, Italy, is part of Finincro, a 59-year-old holding company in Milan with annual sales of about \$70 million. About 70 percent of those sales come from pharmaceuticals; the remaining 30 percent come from hair treatments (mostly the Folteine lotion). Crinos has given Nu Skin International, Inc., a privately held company in Provo, Utah, the exclusive rights to sell Nutril in the U.S. for the next five years.

Caso told me. "But we have a product which has been shown to grow hair in two to three months . . . and there are absolutely no side effects."

NUT-

WAS IT AN OBJECTIVE? Is the claim made by the author that the book was written for the purpose of providing a comprehensive and objective account of the events of the 1960s?

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## EXHIBIT B



*Newsletter*

## Testimonial on Hair Growth with Nutriol

By David K. Brown

David K. Brown is an independent marketing consultant in Salt Lake City, Utah. He holds BS and MBA degrees from the University of Utah. Brown spent 17 years in the pharmaceutical industry before starting his own company. His address is 2193 E. 10260 S., Sandy, Utah 84092 if you would like additional information.

What about this relatively new product "Nutriol"? Does it offer an alternative to the highly discussed Minoxidil or is it just another vision of hope thrust upon those who seek an answer to their diminishing supply of hair?

All the literature relating to Nutriol and all communications issued by Nuskin International, the distributor of the product in the United States, carefully describe the product as a cosmetic with attendant cosmetic benefits. Nothing is said by Nuskin about stopping hair loss or the encouragement of new hair growth. Where such claims do surface, however, is when one finds a well-used piece of literature from the Italian manufacturer of the product, Crinos Industrie Farmacobiologica, S.P.A.

This literature is filled with summaries of controlled studies accomplished by European Medical personnel. The materials present a product that if used correctly for the period of time noted in the studies cited, corrects abnormal hair loss in a high percentage of users. New hair growth is also realized in a high percentage of users.

The most common approach by their experts has been to review the list of ingredients in Nutriol and comment that they don't see anything special in the list. While understandable, that's their mistake. It's understandable because it is only in the scientific research community that the significance of polysaccharides to active hair growth is discussed.

It has been known and well-established since the 1940s that the presence of high concentrations of polysaccharides in the papilla (the connective tissue at the hair root) was correlated with the Anagen Phase of hair growth.

It was not until Crinos developed a unique manufacturing process that extracted portions of several polysaccharide molecules, creating a new and different molecule that such a molecule was available in a small enough form to be absorbed by the apilla when applied topically. This process has been patented throughout the free world. Thus, Nutriol is different from any other product with a polysaccharide ingredient.

Other ingredients in the form of 51 vitamin and amino acids that are considered as essential nutrients to healthy hair also were added to the Nutriol formula. Certainly one can only conclude as the authors of previous articles on Nutriol have done: they won't hurt the consumer.

Yes, Nutriol is a cosmetic in the United States and is sold without the claims offered in other countries in the world. The question to be answered: Does it work?

I answer with an unqualified "Yes!" I have about 20 percent more hair now than I did before using Nutriol! Moreover, the rate of hair loss is noticeably less than before I started using Nutriol. I know the product works.



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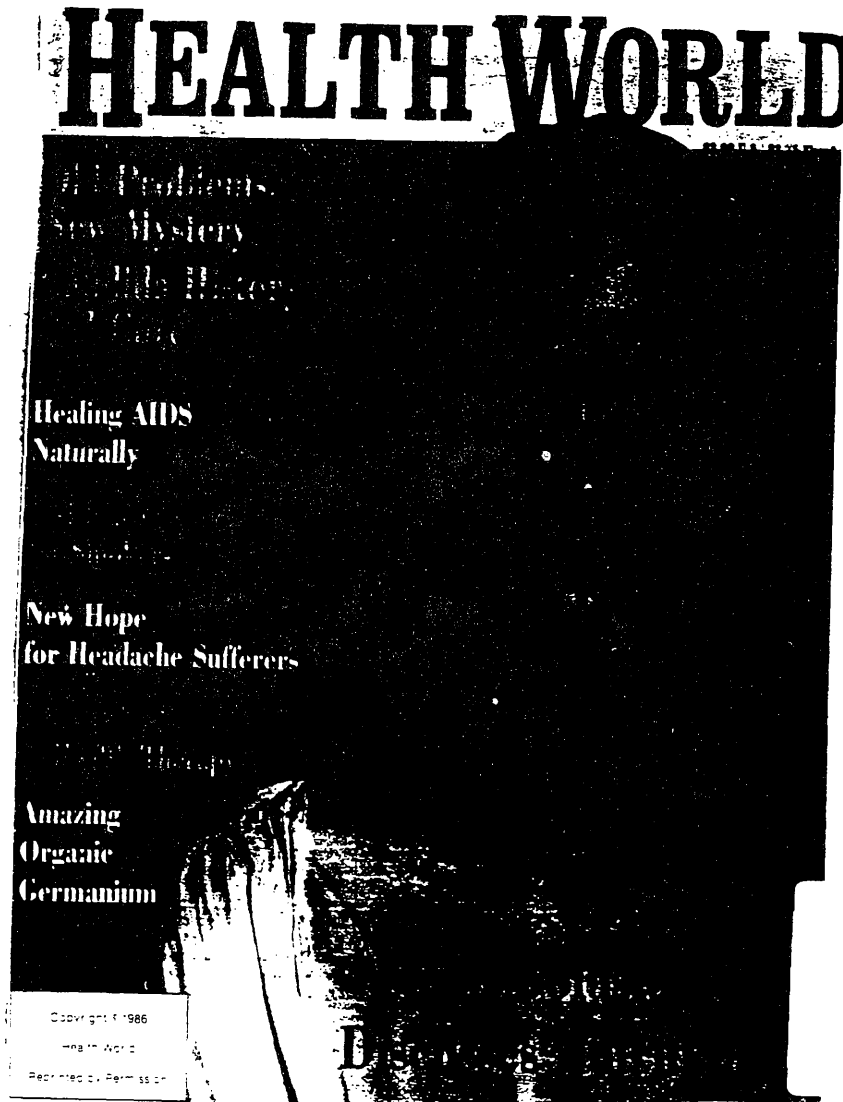
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C

## EXHIBIT C

# Hair... When More Is Better

## Natural Remedy for Hair Loss and Regeneration

By Bob Jimenez

Dr. Paavo Airola in his book *Stop Hair Loss* came to the conclusion that "in most cases the loss of hair and resultant baldness is caused by impaired blood supply to the hair roots." Until recently, the only holistic solutions to counteract hair loss were based on increasing the blood flow and/or the supply of nutrients feeding the hair follicles. Techniques such as massage, slant boards, and nutritional supplementation have all met with small success in dealing with the problem, but

for the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle, bypassing the blood supply.

In order to understand how this new approach works, it's necessary to understand a bit of background information on hair growth in general. All hair goes through three cycles—*anagen*, *catagen* and *telogen*. The *anagen* phase is when the hair bulb is actively forming new hair. The *catagen* phase is

when the hair bulb is producing hair in minimal levels. The *telogen* phase is where the hair bulb has ceased production and the hair shaft falls out. The cycles then start again to be repeated over a two to six year period. Published dermatological studies indicate that when the hair is in the *anagen* phase—most active growth stage—there is a concentration of a complex carbohydrate called *mucopolysaccharides* in the vicinity of the hair bulb. When the hair is in the *telogen* phase, there is a reduced quantity of these *mucopolysaccharides*.

Crinos Laboratories—a renowned 40-year-old Italian pharmaceutical company—took note of these facts and developed a patented process to break down the molecular structure of these *mucopolysaccharides* so that the molecules were small enough to penetrate the microscopic space between the hair and the follicle and thereby nourish the hair bulb directly from a topical application. They have been selling their formulation in Europe with astounding success and "in controlled tests with large numbers of patients, both male and female, it was shown that regular

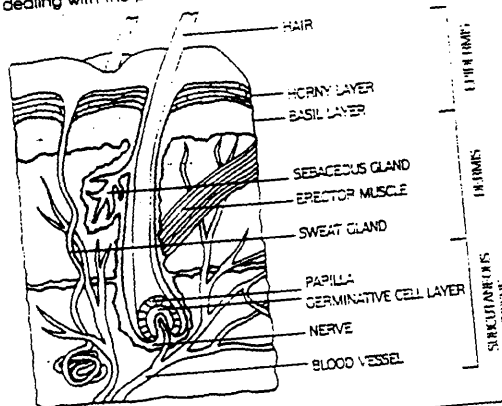


EXHIBIT C

Treatment produced total regrowth of lost hair in 46% of the cases, partial regrowth of thinness or bald patches in 74% of the cases, while only 10% experienced no effect whatsoever. In addition to hair growth, the clinical studies indicated success with stopping further hair loss, reduction of dandruff, reduction of seborrhea, and thickening of existing hair. In France, 60% of product users are women who use the product for its thickening effect, to give their hair more body and fullness.

Due to the authenticity of these clinical studies, the French Ministry of Health issued a visa authorizing the product to be sold with the claim, "Treatment for the loss of hair. Stimulates and aids the regrowth of hair" (visa PP 323 M 485). This was the first time such a claim had been granted in France. Articles in the French press have called it "The treatment which cures baldness," "Almost a miracle," and "Baldness is conquered." The product has taken over 75% of the hair growth market in Europe and has become "The third largest selling product in all categories of goods sold in French pharmacies, next to toothpaste and the L'Oreal skin care line." This is after just 5 years on the market!

Those of us who are ready to jump on the next plane to Paris needn't bother. (Unless you want to visit the Eiffel Tower). An improved version of the European product was introduced to the American marketplace last November, under the name of Nutrial. Nutrial is being mar-



keted by Utah-based Nu Skin International on a multilevel marketing basis much like Herbalife products. To avoid FDA red tape, Nutrial is being marketed as a "hair fitness preparation" with claims such as "It conditions the scalp, creating an ideal environment for healthy hair" but word of mouth is running rampant on the benefits of Nutrial and Nu Skin's sales are skyrocketing.

All information points to Nutrial as being the best remedy available for hair loss. Even the highly touted minoxidil—Upjohn Pharmaceutical's proposed hair restoration drug—seems to have a lower percentage of successes than the European clinical studies, as well as having potential side effects.

From a cost standpoint, surgical implants can run thousands of dollars and minoxidil treatment can cost upwards of \$2000 dollars. Nutrial comes in

at the highly competitive annual cost of \$400 to \$600.

If the European response can be any indication, we can expect Nutrial to become a household word over the next couple of years. If Dr. Aircid were still alive to write a revised version of his book on hair loss, we expect he would concur with our conclusions as to the amazing benefits of product.



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## EXHIBIT C



### NUTRIOL News All Across America

Washington's heads of state are apparently curing balds with "New" formulas who have already embraced the new product in the hopes of having a hair-raising experience.

Kim Upton  
Boston Herald, April '86

There are some big-name politicians and cowboys using this. There have been significant results with no adverse reactions.

Washington Magazine  
March '86

Two other anti-baldness products may sneak into Philadelphia soon. One is NUTRIOL, a hair fitness prescription, and has garnered a cult following in New York, Florida and California.

Philadelphia Magazine  
May '86

The microencapsulated mucopolysaccharide molecule is small enough to penetrate into the follicle, put not through the follicle lining.

Muscle Fitness Magazine

If a person is realizing abnormal hair loss, and notices the hair thinning out, NUTRIOL really can help correct this problem, and in many cases regenerate growth.

Lenny Simon  
Hair International News

For the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle ... All information points to NUTRIOL as being the best remedy available for hair loss ... We can expect NUTRIOL to become a household word over the next couple of years.

Health World Magazine  
Winter 86-87 Edition

I have about 20 percent more hair now than I did before using NUTRIOL. Moreover, the rate of hair loss is noticeably less than before I started using NUTRIOL. I know the product works.

David K. Brown  
Hair Industry News

Yes, it can stimulate hair regrowth.

Dr. Nicholas Bruno  
Providence, R.I. Journal

Many users have been satisfied with the results.

ROBB Report  
January 1986

With all these bogus hair growth products and drugs with adverse reactions, is there any hope for a product that will actually work? The answer is yes. NUTRIOL is being used by both men and women with some outstanding results being reported and is setting up a lot of excitement in the U.S.

Park Cities News  
Dallas, Texas  
October '86

The appeal of a "natural" product as opposed to a synthetic drug is a strong selling point ... A European hair fitness prescription called NUTRIOL seems to be taking the lead ... In spite of its newcomer status, NUTRIOL seems to be generating enthusiasm here just as it has in Europe.

Sports Fitness Magazine  
October '86

NUTRIOL rejuvenates the scalp ... Usually, you may experience healthier, thicker, more vigorous hair growth for both men and women.

American Salon

For additional information contact your NC SKIN representative

EXHIBIT D

Ask your Professional how you can have a 100% guaranteed successful program.

NUTRIOL improves upon already proven effective Fortene by coupling its strength plus adding 51 Amino acids and vitamins.

NUTRIOL is the most potent hair care product in the world.

NUTRIOL is a natural organic compound, not a drug.

NUTRIOL provides the support of professional, trained consultants.

NUTRIOL produces better, longer lasting results than any other product on the market.

NUTRIOL is packaged in safe, non-breakable plastic bottles.

NUTRIOL does not require a prescription, or special user precautions.

NUTRIOL is helpful for dandruff, psoriasis and seborrhea.

NUTRIOL - the Affordable - Natural - Potent treatment for thinning hair.

There are two Nutriol payment options for your selection.

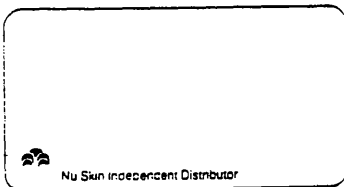
1. **REGULAR PLAN** - An every-other-day treatment plan. Four boxes of Nutriol, one bottle of shampoo and one bottle of conditioner.

2. **ACCELERATED PLAN** - For quicker results, an every-day treatment plan. Eight boxes of Nutriol, 12 applications per box, one bottle of shampoo and one bottle of conditioner.

Make your appointment with a Hair Care Professional today!

Hair Care Professional representatives are independent business people. Most will process your order, set a consultation time and provide you with Nutriol during your treatment period. Because of the demand for this product, some distributors have limited inventory. However, you may make your appointment with confidence and expect fast service.

Your Hair Care Professional is qualified to help you determine whether or not you are a viable candidate for Nutriol treatments.



Scientific breakthrough!

**At last...effective products stimulate natural hair growth without harmful side effects!**

*Timeliness is critical to stop abnormal hair loss. Early treatment saves the follicle!*



Please read this booklet carefully. It will tell you more...

- about hair health and hair loss.
- about the exciting breakthroughs, and three products with special penetration and nutritional values.
- about the history and effectiveness of natural formula Nutriol.
- about the important role of specially trained Hair Care Professionals.
- about acclaim from physicians, research scientists, hair care industry leaders and many others around the world.

## EXHIBIT D

**Acclaim from People who Know About Nutriol**

"An improved version of the European product Foltenel was introduced to the American marketplace last November under the name of Nutriol."

**Health World Magazine**

"At the moment, a European (based) hair fitness preparation called Nutriol seems to be taking the lead."

**Sports Fitness Magazine**

"I have about 23 percent more hair now than I did before using NUTRIOL. Moreover, the rate of hair loss is noticeably less than before I started using NUTRIOL. I know the product works."

**David K. Brown****Hair Industry News**

"If a person is realizing abnormal hair loss, and notices the hair thinning out, NUTRIOL really can help correct this problem, and in many cases regenerate growth."

**Lenny Simon****Hair International News**

"For the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle.... All information points to NUTRIOL as being the best remedy available for hair loss.... We can expect NUTRIOL to become a household word over the next couple of years."

**Health World Magazine**

"NUTRIOL rejuvenates the scalp.... Usually, you may experience healthier, thicker, more vigorous hair growth for both men and women."

**American Salon**

"The tricosaccharide (hydrolyzed mucopolysaccharide) molecule is small enough to penetrate into the

follicle, but not through the follicle lining.

**Muscle Fitness Magazine**

"Washington's heads of state are apparently joining ranks with New Yorkers who have already embraced the new product in the hopes of having a hair-raising experience."

**Kim Upton****Boston Herald**

"Two other anti-baldness products may sneak into Philadelphia soon. One is NUTRIOL, a hair fitness preparation, and has garnered a cult following in New York, Florida, and California."

**Philadelphia Magazine**

"There have been significant results with no adverse reactions."

**Washington Magazine**

"A New product called NUTRIOL may be coming to the rescue of the balding brigade.... Word of mouth has it that NUTRIOL works."

**Trish Clenney Bro...****San Diego Magazine**

"With all these bogus hair growth products and drugs with adverse reactions, is there any hope for a product that will actually work? The answer is yes. NUTRIOL is being used by both men and women with some outstanding results being

EXHIBIT D

reported and is stirring up a lot of excitement in the U.S.”

**Park Cities News  
Dallas, Texas**

“You probably haven’t heard about NUTRIOL. But you will.... Who’s telling people it grows hair? The public, that’s who.”

**Dan Dortm...  
New York Magazine**

**About Your Professional Hair  
Care Representative**

**Hair Care Professional** is a name for the trained professional providing this information. The special information about the newest breakthroughs can make the use of these special products even more effective. It is their policy to provide you with the information you need to choose the hair care product that is best for you. Treatment results vary widely, depending a great deal on your body’s response. We value your business. We do not want to lose you as a customer because your body did not respond as another’s and, your results were not as great as you anticipated. We attempt to place a desire to serve our customers above a profit motive.

Professional supervision includes review of records, evaluation of progress, introduction to the latest, most advanced techniques, recommendations for future treatment and development of a maintenance plan once maximum restoration has been established.

**Hair Care Professional Means  
Qualified People - Quality  
Products - Personal Care.**

Our confidence is strong that Nutriol performs as explained in this brochure....

That cost of treatment is below other effective follicle treatment medications....

That important factors change throughout treatment program and supervision of a trained, informed NuSkin professional is important.

## EXHIBIT D

It's a fact. Over 30% of the world's medical breakthroughs have occurred in the short span of the past two decades. Often, discoveries in one area of science lead to make the better for us all. Important information for use in other areas. Such is the case with breakthroughs in the development of new hair care products that stimulate natural hair growth.

It was hair growth on patients receiving new blood pressure medications that led to development of the first effective hair growth product in the United States. The discovery called attention to the effectiveness of additional products available in European markets.

For the first time in history, because of these products and our improved understanding we can now, for the first time, stimulate hair growth on the heads of men and women with varying degrees of thinning hair and baldness. Application to a full head leads to fuller, healthier hair for both men and women, even when that seemed impossible in the past.

#### Exciting Breakthroughs and Products that Penetrate and Provide Nutrition

Two respected pharmaceutical firms make it possible now. Cinos Pharmaceuticals of Italy is the European source for effective natural hair restoration products. This international organization, established as a source of high blood pressure and heart medications, is committed to use of biological pharmaceutical compounds found in the body, rather than drugs. Organic compounds that duplicate body chemistry are readily accepted by the body and eliminate side effects found in many drugs. Cinos, established in 1947, is a multi-line pharmaceutical firm. Its commitment to natural healing guides production of its comprehensive and popular line of hair health products.

Cinos is responsible for a landmark breakthrough in development of an effective hair restoration treatment with its natural fractionated polysaccharides. These small molecules of water soluble carbohydrates remove sebum plugs, penetrate the hair follicle and provide external nourishment for the hair root. They do not bleed through the follicle into the blood stream or surrounding tissue. That is why it is identified as a "topical conditioning agent," rather than a medication. In combination with a vasodilator the Cinos products supply blood, nutrients and oxygen to the hair follicle to assure the healthiest possible surroundings for the hair bulb.

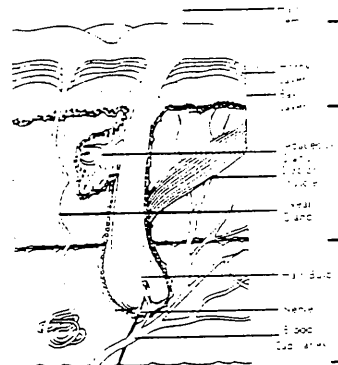
The first generation hair product marketed by Cinos is "Foitene." It has been distributed in Europe for over five years. Foitene was released in the United States in 1987, first as a mail order product and then through retail department store outlets. A recent test of the product in France indicates that 9% of the participants experienced total hair regrowth, 61% had partial regrowth and 30% showed no effect.

Nutrol is the second Cinos hair restoration product to emerge in this country. Tests indicate a much greater response to Nutrol treatment and indi-

cate it is the most effective product of its kind on the market today. A first cousin to Foitene, Nutrol has doubled the strength of the original product. PLUS B vitamins and amino acids which provide extra nutrition. Nutrol penetrates outer skin layers and permeates follicles. A full ninety percent of the participants in a test of Nutrol experienced some degree of success with the product. Nutrol is available in the United States only through NuSkin, a marketing network of men and women who have completed important training.

Even greater success has been reported with Nutrol treatments supervised by trained *Hair Care Professional* representatives. In fact, 98% of our clients treated under the supervision of our representatives have experienced some degree of success.

Loniten, a vasodilator, is an FDA approved high blood pressure medication developed by Upjohn Pharmaceutical Company in the United States. Patients receiving this treatment, it was noted, grew extra hair. Upjohn isolated minoxidil, the medication's active ingredient, and transformed it into liquid form so it could be rubbed on the scalp. One third of the people who volunteered to test minoxidil showed enough hair that it was "visible across the room." Another third grew some hair and the balance maintained the same amount of hair. Because of its intensity, Minoxidil is by prescription only. A highly reduced minoxidil product, "Rogaine," may soon be distributed over the counter at pharmacies. Minoxidil is an effective vasodilator that produces varying amounts of hair.



Cross-Section of the Hair Follicle

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## About Hair Health and Hair Loss

The damage is combated by treating the problem before the follicle becomes dormant. It involves opening a sebum plug and improving blood circulation through a vasodilator, a stimulant that dilates blood vessels. Unfortunately, this is not a cure. The body can never restore hair generating processes by itself. Modern technology makes it possible to manually and temporarily provide the cleansing and nutrition that hair needs to remain healthy. Once a follicle is dead, however, it cannot be restored.

The root of the problems, and the solutions to hair loss rests in a follicle, a tiny pocket inside the skin. Once a follicle is dead, it cannot be restored. A review of how a follicle functions, as well as how it interacts with its environment, is helpful in understanding new treatment programs, and evaluating their effectiveness. A follicle contains and nurtures the only living part of a hair, its bulb. At any given time a hair bulb may be in its Anagen Phase, when it actively forms new hair; its Catagen Phase, as it produces hair at minimal levels; or its Telogen Phase when it has ceased production. In the Telogen Phase the hair shaft falls out. Each hair bulb may pass through these phases a limited number of times in its life. In fact, the average hair bulb completes this three phase cycle approximately once every five years. In a healthy system hair falls out at the rate of approximately thirty-five strands a day.

A follicle nurtures a hair bulb by permitting it to extract life sustaining nutrients and oxygen from the blood stream as well as through the skin. A gland in the follicle secretes sebum which lubricates the skin, hair and scalp.

A number of factors may disrupt the flow of blood and the production of sebum and destroy the hair bulb. These include diet, stress, disease, heredity and genetics, environment, pregnancy, and excessive bleaching, coloring, curling, drying and styling. Within the follicle an over or under secretion of sebum is combined with the hormone Androgen. It forms a plug at the skin level that blocks the oxygen supply and develops a poison which eventually kills the follicle. The flow of blood to the scalp may slow as a result of the natural aging process thus depriving the follicle of additional oxygen and vital nutrients. Over time the hair becomes thinner, reducing in diameter until it falls out.

Until recently, little could be done to reverse the process. Now effective treatment that penetrates the follicles is available to help millions of people with scalp disorders, thinning or damaged hair. Use on a full head of hair leads to longer, thicker, fuller hair, even when that has been impossible in the past.

Other available products are many hair and scalp cleansers that have gained marketing success. These include popular products such as The Helsinki Formula, Nexus, Vivagen, Forever Shampoo, Nutriplex and Flowm. These products have had some successes, but long term results are yet to be seen.

The following is a comparative chart designed to help you review the benefits of the three proven effective natural hair growth products available on the market today.

|                                                            | NUTRIOL                                                                                                 | FOLTENE                                                                     | MINOXIDIL<br>ROGANE                                                               |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Is a Drug?                                                 | No                                                                                                      | No                                                                          | Yes                                                                               |
| Has side effects?                                          | None                                                                                                    | None                                                                        | Pruritus & Vasodilation                                                           |
| Policy for scalp use?                                      | Can be used on all scalp areas                                                                          | Can be used on all scalp areas                                              | None                                                                              |
| Policy for changes due to sebum & nutrients?               | Changes due to sebum & nutrients                                                                        | Changes due to sebum & nutrients                                            | Changes due to sebum & nutrients                                                  |
| Success rate can be extended to 98% with professional help | Up to 90% plus                                                                                          | Up to 83%                                                                   | Up to 35%                                                                         |
| Success rate at stopping hair loss                         | 100%                                                                                                    | 75%                                                                         | Up to 50%                                                                         |
| Does it damage healthy hair?                               | Absolutely not. Is beneficial to all hair, promotes thick and healthy hair                              | Same as Nutriol                                                             | Yes, if healthy hair is treated it has a tendency to become brittle and break off |
| Packaging                                                  | Twelve plastic bottles with unique pump-action removable cap                                            | European packaging with ten hazardous glass bottles with breakaway tops     | Ten vials per box. Includes rubber gloves to avoid hair growth on hands           |
| Application                                                | Topically external                                                                                      | Topically external                                                          | Medication external                                                               |
| Price                                                      | \$800 to \$800 per year                                                                                 | \$600 to \$600 per year                                                     | \$1200 to \$2000 per year                                                         |
| Training and support                                       | Comprehensive back-up training and educational program for distributors plus continuous local promotion | None except for initial packet                                              | Minoxidil under doctor's care only. Depends on pharmacy's support                 |
| Side effects                                               | None, the same as Foltene                                                                               | None, and in five years of use, has never had a lawsuit due to side effects | Has been known to irritate scalp, cause hair loss, and cause skin irritation      |
| Will hair fall out if you stop using product?              | Gradual return to same hair density as before                                                           | Same as Nutriol                                                             | Immediate regrowth hair will not be the same as before                            |

As you can see, there are many decisions to make choosing a restorative hair product that's right for you.

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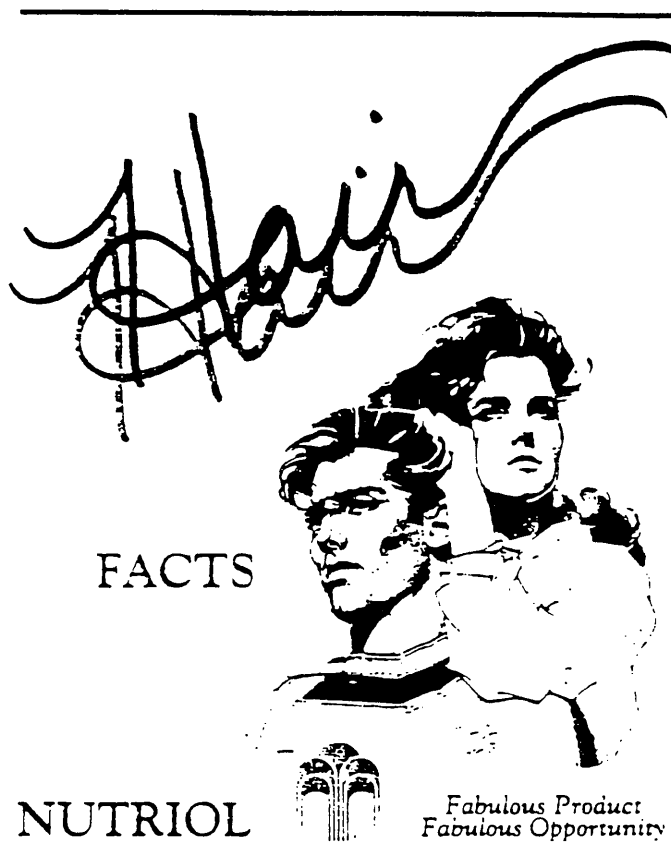


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As you age, you most likely find that your hair is growing thinner, your nails lack luster and healthy growth, and your eyelashes are deprived of nutrition. Yes, your natural beauty fades, all caused basically by undernourishment.

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The Nu Skin Theory

From the time of Ponce DeLeon and his quest for the Fountain of Youth right up until today, man has searched for the means to preserve his youth -- even to turn back the hands of time.

In the last few years there have been several important scientific breakthroughs in the field of anti-aging. However, until recently these anti-aging "miracles" were available only to a wealthy few. Now expensive European formulas for hair fitness and skin cell rejuvenation are available from NuSkin at affordable prices.

In 1983, Nu Skin consulted with numerous chemists and manufacturers to investigate the possibility of formulating a skin and hair care product line that would meet their uncompromising standards. They were quickly informed that such an innovation would be contrary to current industry practices of emphasizing a single, beneficial ingredient, and proclaiming its value in large letters on the product labels.

Even the finest products, stressed the manufacturers, included no more than two or three beneficial ingredients. The NuSkin theory of including all of the available healthful substances while excluding the harmful elements was considered revolutionary.

NuSkin would not compromise. *They knew they could manufacture the ultimate line of skin and hair care products.* They realized consumers today are informed individuals who are concerned about the possible effects of chemicals and other ingredients in the products they use. NuSkin understood that this trend translated to a consumer demand for pure, wholesome, high-quality products. And so, they continued to pursue their original goal.

Because the Nu Skin philosophy was so innovative and original, they chose to promote and distribute their products through network marketing.

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They felt this marketing method would be the most successful way to inform customers of the unique NuSkin concept, and to assure the proper training of a superior sales force. The founders of NuSkin who possessed previous network marketing experience also felt this marketing method was the most efficient way to get their quality product into the hands of the public.

*Summary ---*

*NuSkin is totally committed to producing the finest nutrition, skin and hair care products in the world.* This is done by utilizing only proven beneficial ingredients, regardless of cost, and by eliminating any damaging substances. As a result, NuSkin has an unmatched line of personal care products.

As yet there is no way to  
reverse the aging process---  
but Nu Skin has taken a  
giant step in that direction.  
By regularly using Nu Skin  
products you too will be  
able to participate in the Nu  
Skin "Secret of Youth."

In just one year, NuSkin  
grew into a multi-million  
dollar business. Today, Nu  
Skin continues to grow and  
expand with limitless career  
opportunities.

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When you look at yourself in the mirror do you notice that your hair is thinning or that it is damaged and lifeless? Have you given up hope that you can change this situation? Until recently there wasn't much you would do. But now with the introduction of NUTRIOL, you have an opportunity to dramatically improve the condition and appearance of your hair.

NUTRIOL's history goes back to Europe, where in 1981 an Italian pharmaceutical company introduced a powerful hair fitness product. It quickly became a sensation across the entire continent, selling 1.2 million boxes in France alone. Not only was this product popular, but it worked! Clinical trials performed by a number of leading European dermatologists confirmed what people were seeing in their mirrors. As a result of those trials, the French Ministry of Health authorized the following claim for the product: "Treatment for the loss of hair, stimulates and aids the regrowth of hair."

Through exhaustive research, Nu Skin determined that this European hair fitness preparation had a definite place in their 'Secret of Youth' concept. However, Nu Skin was not satisfied to merely reintroduce the European formulation to the United States. Instead they teamed up with researchers to "upgrade" the European formula to their uncompromising standards. The result was NUTRIOL -- a vastly improved and more potent version of its European counterpart -- containing twice the amount of polysaccharides, which are the active ingredients identified as the major factor in hair growth. Nu Skin also improved the European formula with the addition of 51 amino acids, vitamins and nutrients specially packaged to be activated immediately prior to application to the scalp.

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This insures the highest possible level of potency.

*Permeable Polysaccharide.* One of the most exciting breakthroughs in hair and nail care is the production of permeable polysaccharides. These biological extracts are capable of stimulating the keratin synthesizing cells found in hair follicles and the base of fingernails. These cells are responsible for creating hair and nails. In their natural form, polysaccharides are too large to penetrate to these matrix cells. Only recently has a process been discovered in Europe to purify and fractionate polysaccharide molecules so that they may be absorbed. Nu Skin is the first to bring this important breakthrough to America. It is the presence of this active ingredient that makes Nu Skin's NUTRIOL so effective.

**WHAT CAUSES THINNING HAIR?**

There are many factors that contribute to hair loss. By examining the different reasons for excessive hair loss and damage, you can understand why NUTRIOL may dramatically improve your hair and scalp condition.

Inside the follicle is a sebaceous gland that secretes sebum into the hair and scalp. An under and over secretion of sebum and a malfunctioning microcirculation can cause dandruff, seborrhea, sebum plugs that kill the hair bulb, itchy scalp and psoriasis.

For some as yet unknown reason, the male hormone androgen -- found in both men and women -- has a blocking effect on circulation resulting in a reduction of nutrients reaching the hair root or papilla. Due to this, the size of the papilla becomes smaller, thus hair becomes thinner (adult hair changes to thin hair and then to "peach fuzz") until the follicle becomes non-functional yielding a dormant papilla void of hair.

**DOES NUTRIOL WORK? READ ON...**

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History of a Legend

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After World War II, a man by the name of Dr. Faro in Italy had a simple concept regarding biological research because most diseases or abnormalities were caused by the malfunction of the individual biological system. He then reasoned, that if one could administer biological compounds similar to those required under normal conditions, one should be able to restore that individual system to its natural condition. So, in 1947, Dr. Faro established a company called Crinos, in order to research into the identification, extraction, and purification of biologically active principles. Since 1947, Crinos has become an internationally recognized leader in its field. Its net sales have reached over \$60,000,000.00 in 1985.

The original research carried out by Crinos has resulted in the development of various drugs that are effective and safe in the treatment of Arteriosclerosis, Thrombosis, and Ulcers among others. One of the active ingredients in the Arteriosclerotic drug is called Natural Polysaccharides. It has been taken orally in Europe since 1950. It is a scientific fact that there is a large amount of mucopolysaccharide activity around the hair bulb during the growth or *Anagen Phase* of hair. The Natural Polysaccharide molecules that were used in the Arteriosclerotic drugs were found to stimulate hair growth in test animals. They were also small enough to penetrate through the hair follicle and reach the papilla region of the hair, thus promoting nourishment for the papilla. Actual penetration to the Natural Polysaccharide molecules were demonstrated through Histofluorescein studies.

About 10 years ago, Crinos decided to develop a line of cosmetics based on their biological technologies. NUTRIOL's little brother Foltene was launched in Europe in 1981 using Natural Polysaccharides as its active ingredient.

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By 1982, it had won the award for the best new product introduction in Europe. It quickly became the number 1 product in its' category in all the introduced European countries. 1.2 Million boxes of product were sold in 1983 in France, with a 65% reorder rate demonstrating a high degree of consumer satisfaction. Clinical trials performed by a number of leading European dermatologists confirmed the efficacy of the product. In consequence the French Ministry of Health authorized the following claim for the product:

"...Treatment for the loss of hair, stimulates and aids the regrowth of hair."

Nu Skin International, Inc., has the exclusive contract to market "NUTRIOL" in the U.S.

A patent was issued to Crinos Industria, Italy on November 4, 1986. This patent is #1213522 - a Canadian patent.:

"It has now been suprisingly found that the combination of these substances with the previously considered compounds and which are the subject of the present invention, gives place to a composition which does not only act simultaneously on both causes leading [unhealthy hair] but does also show an unexpectedly greater activity with respect to that aforeseeable from the sole sum of the single components."

"The composition powder is prepared by operating in an environment having moisture less than 40%; all the components are weighed in the order and the resulting mixture is charged in a ball wherein it is finely ground. The resulting powder is stored being sheltered from the moisture."

NUTRIOL is an advanced formula, and contains 51 amino acids and vitamins as well as twice the amount of polysaccharides.

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**Scientific & Clinical Studies**

NOTE: Nutriol is a vastly improved version of the original European counterpart called "Foltene"

**Trichosaccharides - Origin of Discovery**

Trichosaccharides - (Hydrolyzed Mucopolysaccharides), represent one of Crinos Pharmaceutical's first discoveries. It was originally used and is still therapeutically valid in the treatment of arteriosclerotic diseases.

**Trichosaccharides - Definition**

Tissular, Polyanionic Glycopeptidic Complex.

**Extraction.**

Trichosaccharides are extracts of biological origin, obtained from mammalian conjunctive tissue.

**Chemical Structure.**

Chemically, it consists of natural sulfomucopolysaccharide (Heparin, Heparitin-Sulphate, Dermatan Sulphate, Chondroitin-Sulphate, ABC, Hyaluronic Acid, and Nucleotidic Polymers in combination with Glycopeptidic chains).

**Trichosaccharides and the Hair.**

The correlation between tissue mucopolysaccharides (AMPS) with the hair growth cycle is now well known. Qualified studies have been performed on this matter. The considerable quantitative fluctuations of mucopolysaccharides in the skin apparently relate to the stages of the hair growth cycle. All fractions of mucopolysaccharides behave similarly: high on days of new formation (Anagen Phase), they drop

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hair differentiation (Catagen Phase). Transition and Rest (Telogen Phase) The greatest shifts in AMPS material are seen during the first week of the Anagen Phase.

*Trichosaccharides and Mopertin*

Topical occurs when there is a diminution and/or alteration of mucopolysaccharides (SMPS or GAGS) in the connective tissue. This leads to a morphological alteration of the connective tissue and causes impairment of microcirculation, lipids disturbance, tissue necrosis, and finally, death of the Follicle.

*Formula for Development*

1 To bring SMPS in contact with the subcutaneous tissue of the scalp. 2 To increase the sulphur content to hair follicle and promote keratin Synthesis. 3 To improve impaired microcirculation

*Toxicology*

Toxicology studies of both systemic and local tolerance on animals and human beings, have demonstrated the innocuity of the formula.

*Formulation*

The active properties of Trichosaccharides, that is to say the stimulation of hair growth, were based on animals. It was observed that there was a considerable regrowth of hair on the area of the skin which had been shaved.

*Formal Trials*

Several extensive studies have been performed and are readily available.

*Clinical and Laboratory Tests:*

1 Cutaneous Sensibilization Test Dr. Paris, Saint Louis Hospital, Paris, October 1981.

2 Local Tolerance Test on Rabbits IIRFD (Institut Français de Recherches et Essais Biologiques), December 1980.

*Clinical Studies:*

1 Dr. Boudhanna, Saint Louis Hospital, Paris, December 1982.

2 Dr. Hickey, July 1980.

3 Prof. Agache, Assoc. pour le Développement de la Recherche Dermatologique, Centre Hospitalier, Besancon Cedex, March 1984.

4 Trichosaccharides - Toxicological Study Milan University, Faculty of Science Farmacologia Applicata, Prof. F. Piccinini, June 1984.

5 Essame Istologico Della Pelle Di Conigli Trattati per Via Dermoale per 30 Giorni con Trichosaccharide, Istituto di Ricerche Biomediche "Antonio Marver", March 1980.

6 Niala, Mergetto, Giamuzzi, Hair Growth on Rabbits' skin, February 1981.

7 Gazani, Maetti, Trichogenetic Stimulating Activity on Rabbits, August 1983.

8 Gazani, Venier, Experience on Trichogenetic Factors, March 1983.

9 Radadelli Ravellik, Cavenago, Negri, Trials on Man Milan University, IInd Dermatological Clinic.

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## Nutril -- Minoxidil -- Foltene

Foltene is a hair loss treatment. Attach

Chances are you've already heard of the new "Miracle" baldness cures that have hit the market in the past year. Here's the number one in these such cures:

## MINOXIDIL --

Here's what Uppidim learned from its year long study...

1. Minoxidil seems to have no side effects.
2. It will grow hair.
3. It is not a cure for hair loss.

"It won't work on a patient who doesn't even have fuzz" say Yale's Dr. Ronald Savin, who directed testing of the drug in New Haven, Conn. "It won't grow hair on a bald head." Generally, the longer you've been bald and the less hair you have left, the less well Minoxidil seems to work.

1. It will grow hair from follicles that Minoxidil worked best on those subjects who hadn't lost much hair, who were just starting to go bald. This seems to mean that the time to do something about the problem is when you first notice it.

2. It will grow hair from follicles that Minoxidil worked best on those subjects who hadn't lost much hair, who were just starting to go bald. This seems to mean that the time to do something about the problem is when you first notice it.

A drug that cures baldness, and that you have to keep taking forever. Sounds like a manufacturer's dream. And, in fact, Uppidim is looking for an increase of as much as 25 percent in its \$2 billion annual sales. "Minoxidil represents the largest potential product in pharmaceutical history," says one industry analyst. "It will be a billion dollar product."

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## RESULTS

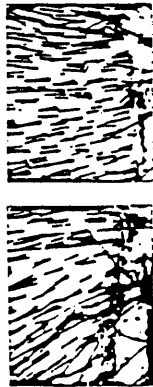
After a month of application

## Hair Weight:

There was an increase in the weight of the hair on the treated side (average weight 6.0 mg) compared to the untreated side (average weight 3.4 mg) but this difference is not statistically significant.

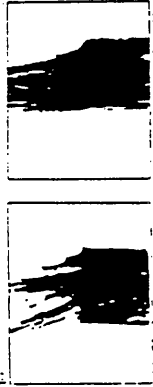
## Number of Functioning Hair Bulbs:

There were statistically more functioning bulbs on the treated side than on the control side.



## Length of Hair:

The length was statistically greater ( $p < 0.01$ ) on the treated side.



## CONCLUSIONS

After a month of application

The number of functioning hair bulbs is greater than growth in the treated area is stimulated in comparison to the untreated area.

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EXHIBIT E

FOOTNOTES

Minneltonka, Inc. is the company that brings you Soft Soap and Obsession perfume. Remember those better than hot Obsession ads in all the magazines? Who can forget?

Minneltonka also brings you Folene, another hair restoration treatment developed by Crinos. In France, it is sold as a "treatment for the loss of hair, stimulates and aids the regrowth of hair."

Here are some statistics from a French experiment conducted by physicians with Folene:

|             | Total<br>Regrowth | Partial<br>Regrowth | Folene |
|-------------|-------------------|---------------------|--------|
| 19 Women    | 3                 | 10                  | 6      |
| 25 Men      | 1                 | 17                  | 7      |
| 44 Patients | 4                 | 27                  | 13     |
| in all      | (9%)              | (61%)               | (30%)  |

Folene, too, operates by bringing polysaccharides to the hair follicle. It, too, works by application. The suggested retail price of a box (10 vials) of Folene is \$45.

Unlike Nutrilol, you'll be able to buy Folene in stores—Drug Stores, Department Stores, Salons, and Mail Order. It made its American retail debut in February in Bloomington, and it's now available at JC Penney stores. You'll be able to find it in these locations all over the country.

Folene claims that its treatment can cause an increase in the number of functioning hair bulbs in a treated area, and can stimulate hair growth compared to untreated parts of the scalp.

The trisaccharide (hydrolyzed mucopolysaccharide) molecule is small enough to penetrate into the follicle," says Richard Reeve, head of research and development for Minnetonka, "but not through the follicle lining. This allows Folene to work safely within the follicle and hair shaft, where it is the most effective." The molecule is not small enough to enter the follicle epidermis and become absorbed by the surrounding tissue and blood. That's why Folene is classed as a topical conditioning agent rather than a medication.

Folene is a new product in the United States, but in France it is the third largest selling product in pharmacies. Crinos Laboratories earns 10 percent of its total sales from hair restorers. Minnetonka obviously looks forward to Folene becoming a big business in this country, too.

NUTRILOL

Nutrilol includes vasodilators (but not nitroglycerin) as well as 51 amino acids and vitamins, sodium pantothenate—and complex organic substances extracted from animal tissues. These trisaccharides are rich in complex carbohydrates, polysaccharides, which some claim accelerate hair growth. Nutrilol has patented a process that extracts polysaccharides in molecules so small they can be absorbed through the hair cell's follicle.

Crinos Laboratories, an Italian pharmaceutical firm, owns the patents, and licenses it to the U.S. company Nu Skin. Nu Skin sells Nutrilol through stores, but through independent distributors, much like Amway. Because Nutrilol hasn't gone through the FDA's testing procedures, it's marketed in the United States as a "hair fitness preparation"—that is, a hair tonic.

Complaint

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## EXHIBIT E

**Does Nutriol work?**  
 Clinics claim the following figures for its users:

| Product         | 100% | 75% | 50% | 25% | 0%   |
|-----------------|------|-----|-----|-----|------|
| PARHAM Research | 100% | 75% | 50% | 25% | 0%   |
| Other Products  | 0%   | 0%  | 0%  | 0%  | 100% |

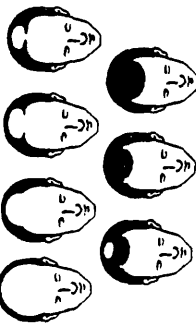
In fact, 60 percent of users are women, who want to give their hair more body and fullness.

**The Market Potential is Astronomical!**  
 J Wall Street Journal stated: The potential market size for a hair restoration product in the U.S.A. is \$1.5 billion annually.  
 J America experiencing health & fitness craze. Everyone wants to look good.  
 J There are presently few in this market.  
 J The users of NUTRIOL are emotional about the product. They gain positive visual results with usage.  
 J It was not developed in someone's garage!!! Its background lives with a world-renowned pharmaceutical company with a history of successful biologically based compounds in the ethical drug field.  
 J Scientific Data back the product.

**Nutriol vs. Folene  
Simple Comparison Chart**

| INGREDIENTS     | NUTRIOL  | FOLENE   |
|-----------------|----------|----------|
| Volume          | 7 ml     | 7 ml     |
| Polysaccharides | 105 mg   | 45 mg    |
| Vasodilators    | YES      | YES      |
| Vitamins        | YES      | NO       |
| Amino Acids     | YES      | NO       |
| Container       | 12 Vials | 10 Vials |

Clearly seen in the chart above, NUTRIOL is far advanced in hair fitness, with twice the polysaccharides, and is the ONLY product with Amino Acids and Vitamins to nourish the entire scalp, hair, bulb and follicle areas, plus personalized service!



**THE BIG DIFFERENCE BETWEEN  
NUTRIOL AND OTHER  
PRODUCTS...**

**You Can Choose To Participate In This  
Once In A Lifetime Opportunity!!!**

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EXHIBIT E

Do You Have Your  
HEAD IN THE SAND  
About Hair Growth & Hair Loss?



It's time to pull your head out of the sand...and understand just how NUTRIL works and how hair grows, and why it stops growing.

Hair has 3 cycles:

**Anagen Phase**...when the hair bulb is active in forming new hair. In this phase, a high concentration of complex carbohydrates called mucopolysaccharides is found in the hair bulb.

**Catagen Phase**...the rest cycle, hair is produced in minimal levels.

**Telogen Phase**...the level of polysaccharides decreases and the hair stops growing, and results in fall-out.

Usually about 90% of the hair is in the Anagen or Catagen Phase, and approximately 10% is in the Telogen Phase. Hair grows at the rate of about 1/2 inch per month, and it is normal to lose from 50 to 80 strands of hair per day. But, with NUTRIL, people find hair growth is increased by over 25%.

The diagram on page 18 shows the cross-section of the Hair Follicle, that there is more to hair than meets the eye!

Hair takes root in the follicle. Around the follicle are one or more sebaceous glands. The sebaceous glands secrete a semi-liquid oily matter called sebum which lubricates the hair bulb. Sebum protects hair from extremes of temperature, humidity, drying, low-quality shampoos, and chemical treatments such as permanents and coloring. When there isn't enough sebum the hair and scalp will be dry and show a flaking condition like dandruff. Too much oil causes oily hair and scalp which needs frequent shampooing and often result in itching, itchy hair.

The hair bulb, found at the root of the follicle, is the only living part of the hair. At the root of the bulb is the papilla. Blood vessels in the papilla supply oxygen and nutrients to the hair.

You see, healthy hair is formed from elastic strands of proteins called Keratin which are made up of oxygen, iron, nitrogen, hydrogen, carbon, phosphorus, and sulfur. The hair shaft is comprised of the cuticle, cortex, and medulla. The cuticle is the outer layer, the cortex is the second layer which contains hair color, moisture and strength. The medulla or inner layer, is the foundation of hair life.

Hair loss is caused by a number of reasons. These include diet, stress, disease, heredity, hormones and styling can also damage the hair. Blood flow may be restricted to the scalp for many reasons, especially when oxygen and other nutrients aren't available to sufficiently nourish the hair bulb. The Sebaceous gland may over secrete or under secrete sebum. These conditions can either break the hair bulb or "back feed" into the hair root and suffocate it. This results in hair fall-out. Good blood supply to the follicle is NOT enough. Blood must contain the proper nutrients to nourish the hair bulb and be in a form that can be used by the hair follicle.



EXHIBIT E

**Nutril Nail**

Yes, you too can have stronger and more beautiful nails! Nutril's Nail Fitness Cream contains a revolutionary formula that assists healthier nail growth and provides extra strength to protect your nails from chipping and peeling. Apply generously twice a day to your entire fingertips. NUTRIOL Nail Fitness Cream penetrates deep below the cuticles to nourish the nail matrix cells. It is absorbed into the nail bed for thinner, healthier nails.

**Nutril Eyelash**

It has been said that the eyes are the window to the soul. Nourish and invigorate your eyelashes with NUTRIOL EYE LASH. Apply this natural liquid to your lashes twice a day. Nutril revives distressed, weak eyelashes with a high concentrate of natural polysaccharides, a biological substance normally found in the eyelash matrix cells. Watch as your eyelashes grow more attractive, more luxuriant, and healthier. This formula is specifically designed to keep eyelashes nourished, protected and naturally beautiful.

**Nutril Mascara**

Lovely, lush, eyelashes is what Nutril Mascara is all about. Rich in texture and smooth in application, NUTRIOL MASCARA provides a beautiful natural accent for your eyes. Each compound in the formula has been carefully selected to ensure that it complements and enhances your natural body chemistry. This meticulous and intricate chemical process is expensive, but the results are priceless. The regular use of Nutril Mascara insures protection, nourishment and beautiful eyes. The fact that it contains real silk accounts for it's "smooth as silk" application.

"For the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle... All information points to Nutril as being the best remedy available for hair loss. We can expect Nutril to become a household word over the next couple of years."

H. J. de Wolff, M.D., M.Sc.  
Winter, February 1986, p. 4

"You probably haven't heard about Nutril. But you will. Who's telling you people it grows hair? The follicle, that's who."

Tom Peckham, New York, New York  
January 1986

"The appeal of a 'natural' product as opposed to a synthetic drug is a strong selling point... A European hair fitness preparation called Nutril seems to be taking the lead. In spite of its newcomer status, Nutril seems to be generating enthusiasm here just as it has in Europe."

Y. S. L. Lim, M.D.  
October 1986

"Nutril rejuvenates the scalp. Usually, you may experience healthier, thicker, more vigorous hair growth for both men and women."

Victor M. Cohen  
April 1986

"The trichosaccharide (hydrolyzed micro polysaccharide) molecule is small enough to penetrate into the follicle, but not through the follicle lining."

Michael Lim, M.D.

## EXHIBIT E

## Let's Review...

- Cinno International has been in business since 1947.  
Cinno is a serious pharmaceutical company with emphasis on ethical (prescription) drugs.  
Cinno's basic technology is based on biological, active principles (biological extraction), i.e; not in synthetic or plant derivatives.  
Cinno is world renowned in its field.  
Since the 1950's, studies showed Natural Polysaccharides had the direct effect of growing hair on rabbits.  
It is the only product given visas from Ministries of Health in two countries (France and Italy) to be marketed with the claim "will retard hair loss and stimulate hair growth".  
NUTRICO is an improved formula from its first generation product, with 51 essential amino acids, vitamins and twice the amount of polysaccharides!  
Scientific Testing and Proven Track Record since 1981 back its claims.  
U.S. Market is over 5 times as large as Europe, and production is geared up to supply 6 million boxes annually.  
Diminished levels of mucopolysaccharides is a major cause of hair loss.
- Patented Process**--A unique patented process for extracting natural penetrating polysaccharides yields molecules  $\sim 1 \times 10^4$  to  $1 \times 10^5$  Da to be readily absorbed through the cells of the hair follicle.
- Poly saccharides found in other products are in a raw form, (1000 Alkali Units, 100000 U/ml)

## Nutrient Shampoo

To help improve your chances of success with NUTRICEAL hair loss success preparation, Rn S4 has introduced the "ultimate hair and scalp cleanser" — NUTRICEAL Shampoo. Contains patented permeable hydrolyzed silk, hydrolyzed casein, vitamins and amino acids to insure synergistic action with NUTRICEAL hair loss success preparation. This unique combination of NUTRICEAL Shampoo allows your hair to remain clean and nourished after each washing.

## Nu Skin Total Performance Shampoo

For daily hair care, No Skin developed the Total Performance Shampoo. Both Formula A and B are pH balanced and packed with vital moisturizers and nutrients essential for healthy, great looking hair.

## *New Skin Automatic Hair Conditioner*

After shampooing use the Automatic Hair Conditioner with its pH balanced formula to revitalize limp or damaged hair. It will condition your hair without leaving an oily residue. Also remember that these shampoos and conditioners contain no harmful waxes, as are contained in most shampoos and conditioners on the market today.

EXHIBIT E

"Confessions..."

Another Doctor I visited About NUTRIOL...

Without a doubt, NUTRIOL is the best Hair Fitness Preparation I have ever used in my life. At age 52, I have tried many. I have moderately severe dandruff and "flitty" uncontrollable hair. In addition, my hair line has been receding. Since starting NUTRIOL, the dandruff has cleared, my hair is full and healthier, and controlled by every other day applications. The exciting part of using NUTRIOL is that my receding hairline has been growing new hair, much of which is over an inch long! I plan on using it the rest of my life. Also, several personal friends using the product who are growing hair, have had dramatic improvements of their seborrhea and even psoriasis. They are convinced also of the excellence of the product.

Dr. William T. Black, M.D.  
Surgeon &  
Family Practice



Nu Skin was NOT satisfied to just "reintroduce" the European hair fitness product to the United States. Instead they teamed up with researchers to "upgrade" the European formula to their uncompromising standards.

The result... NUTRIOL is a vastly improved and more potent version of its European counterpart...containing twice the amount of polysaccharides, and 51 amino acids and vitamins.

NUTRIOL is NOT a drug.

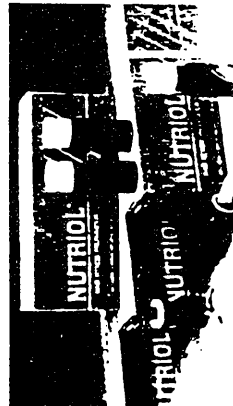
NUTRIOL is naturally formulated.

NUTRIOL is easy to use and is not messy.

NUTRIOL has an incredible background in research.

NUTRIOL has an incredibly EXCITED following!

NUTRIOL is marketed in a fashion that YOU have an opportunity of a lifetime to participate in!



## Complaint

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## EXHIBIT E

**Excited Hair Professional...**

As a hair professional, I was very skeptical about the efficacy of Nutrilol as a hair fitness preparation when the product was first presented to me. Twenty years in the industry of seeing products come and go, and at the same time trying to build a reputation were the basis for my skepticism. Fortunately, I purchased some of the product for personal use, and after 90 days of faithful application of the product, I could see exciting results, and so could others who knew me well...and I have also found the Nu Skin skin care products and the entire marketing program to be as equally exciting as Nutrilol. Becoming a Nu Skin distributor really is one of those rare opportunities that come along for a hair professional that should not be passed up!

**David J. Robinson, President**  
**International Hair Consultants**

**A Make-Over Salon**

Jerry is an excellent Hair Stylist, and I've been in the Medical Field for 25 years, and we started a "make-over" Salon Business together, and are excited to also be partners in Nu Skin! We have sold, purchased and recommended many hair conditioners, but none can compare with NUTRLOL as a scalp treatment and hair conditioner and hair restorer. Nothing compares to NUTRLOL!

**Jerry and Sandy Rayburn**

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**Nutrilol Makes Fake Eyelashes!**

Years ago I applied false eyelashes, which eventually ruined my own "weak" ones. I started using the Nutrilol Eyelash, and cannot believe how lovely and improved my lashes are getting. Some of my family even ask if I've found a new, more "natural" set of "falsies". I just say NO, they are my own, thanks to Nutrilol Eyelash!

**Linda S.**  
**Hollywood, California**

**Nails Are Growing Thanks to Nutrilol Nail!**

I used artificial nails because I wanted to enhance the look of my hands. My own nails were weak and brittle, and would barely grow past my fingertip...Until I purchased NUTRLOL NAIL. I began using it about twice a day, sometimes more, and within a matter of a few weeks, I noticed my nails had a glossy look, and were really strong. I get to polish my own nails now, and they look so pretty!

**Lorraine S.**  
**Kansas City, MO**

**My Nails are Growing Like Crazy!**

IT ONE my NUTRLOL NAIL Fitness Cream! I have tried so many times to grow my own nails out, but they have always been short, weak and ugly with ridges...I decided to give Nutrilol Nail a try...My nail are shiny and STRONG like never before! And the ridges are unnoticeable.

**Kelly B.**  
**Craig, CO**

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EXHIBIT E

*More Hair, At A Younger Age*

I am a licensed barber and cosmetologist in Tulsa, Oklahoma, and have been in the hair-cutting business for 40 years, and in the men's hairpiece business for 26 years.

I started losing hair in my early 30's, after which I ordered my first hairpiece. At about 40 I became almost totally bald on my front and crown. During my hair loss and the wearing of a hairpiece for over 20 years I have tried every "so called" hair growth product and system. I have never seen nor had any satisfactory results UNTIL NUTRIOL!

I began using NUTRIOL in February 1986, and was skeptical to say the least. The available research, credibility of the company that produces it, and the fact that the product and what it was supposed to do make total sense are what really convinced me to finally use the product. I used NUTRIOL 3 and a half months every other day. It stopped excessive hairfall after about 1 and a half months. My hair became fuller, thicker and more manageable. I began to see new growth after about 2 and a half months (3-4 boxes of NUTRIOL). I was so excited and pleased with the results that I began to use the product everyday. After about seven months, I have grown back a good, full, comable head of hair on my front, top and crown. I continue to have new growth and my hair in front on my crown is thicker and nicer today at age 62, than it was when I was 30 years old!

NUTRIOL is definitely a revolutionary break through in hair and scalp treatment. I have experienced fantastic results with customers with psoriasis, itchy and greasy scalp and problem dandruff.

I can honestly say, through my personal experience and use, that NUTRIOL is the best hair fitness product and conditioner that I have ever used or experienced in my life time. I recommend it without hesitation, to anyone with a hair or scalp problem or to anyone who wants to have the thickest, thinnest and healthiest hair they can have.

**Fred Cupps, Hair Professional  
Color Photographs Available Through Your Distributor**

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*Thanks to NUTRIOL, No More Psoriasis...*

I have had psoriasis for 15 years, and was controlled by medication prescribed by my dermatologist. It smelt awful and was very messy, but it never cured my psoriasis. I had a chance to try NUTRIOL, and was very skeptical, but am happy to say now that I'm very glad I tried it. After four boxes, my scalp was completely cleared, and my hair was lovely!

**Certified Aesthetician, Denver, CO**

*Made Pattern Baldness...No Problem For Me!*

I have typical "male pattern baldness" beginning. My hair has become thin and thin, thinning up the hairline in front on both sides. Ten days after I first used NUTRIOL, my wife could see new hair appearing. Can't wait to get my next batch!

**Ed Lucches**

*Superior Products...Superior Marketing Plan*

As an Economics Professor for the past 20 years, I have been approached numerous times by students and friends who wanted to help me get rich by joining a multi-level marketing system. I have always believed that MLM programs were a legitimate business form, but I have always been turned off by the belief that they were really selling relationships, not products. With Nu Skin, the priorities are in the right order: the rewards are also potentially infinite!

**B. W. Kinzey, PhD  
Economics Professor, BYU,  
former Professor at Pepperdine**

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Complaint

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## EXHIBIT F

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*See Testimonial on Page 29*



FRED CAPPS  
BEFORE



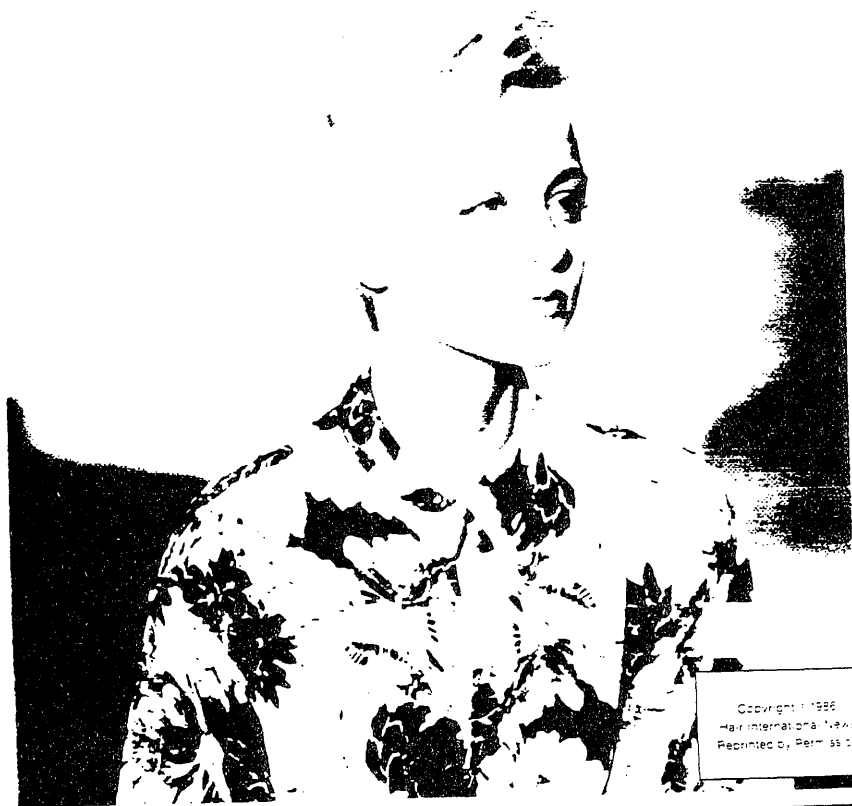
FRED CAPPS  
AFTER

If you have any questions about NUTRIOL, or would like more information about how you can take advantage of this once in a lifetime opportunity, contact your independent Nu Skin Distributor.



*Your Independent Nu Skin Distributor*

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Complaint

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## EXHIBIT F



## Simon Sez...

By Lenny Simon, Hair International, PA

As I have stressed before, in the many articles I have written over the years for Hair International, we, the barbers and beauticians, are both artists and business people.

As artists we have gained the respect and admiration of all who come in contact with us for our abilities to transform a person's appearance from shabby to sharp. As business people, there are many of us that have been very successful retailers, whether it be products for beauty or for the hair, or in many cases, hair replacement, which offers us a really nice profit.

Personally, I am involved in all that I have just mentioned. However, I am always looking for something new. What I have found, I am now going to share with all of you and honestly hope you will see the possibilities for you to obtain a nice income, with a minimal amount of effort. I introduced this idea to our National Office several months ago, and I believe that in the near future, we will be involved in this program.

As you are aware, every time you pick up a Magazine or a newspaper, something is mentioned about our new wonder drugs to stop hair loss and promote new growth, or in



Feb. '86



May '86



June '86

some cases outrageous claims are made about total regrowth of hair on completely bald men and women. Well, when I hear total regrowth, and outrageous claims, I for one do not put much stock in these claims.

I am a distributor, along with a partner Mr. Fred Carrara, for a nationally known line of men's hairpieces, and we have a couple of hundred dealers for these hairpieces that we work with.

If you are involved in the hair replacement business, you have heard more than a few times, a customer questioning you about the so-called wonder drugs for hair regrowth, and if you're like me, you try to be truthful with the customer, and tell him there is no such thing as pie in the sky. Well, this is what I used to tell them. There has been a major breakthrough in a product that drastically reduces hair loss, and in many cases, actually regenerates new growth and thickens a person's natural head of hair. This product, known as Nutriol, comes out of Como, Italy, from a large drug company known as Crinos which has dollar sales in excess of 90 million dollars. Crinos has some 12 clinical studies since 1981

EXHIBIT F

involving some 500 men and women with a success rate of 75% of all tested greatly reduced their hair loss, all but eliminated dandruff and psoriasis problems, had substantial hair regrowth and enjoy a healthy head of beautiful hair.

It all sounds too good to be true, doesn't it? Well, I personally thought the same thing when I first heard about Nutrial. I thought, "Here we go again, another snake oil," but being adventurous, I gave it a try. I followed the directions, using the product every other day, massaging it into my *balancing front*, and I even had my partner Fred, take a snap shot of my head before starting the program. Well, by the end of the 3rd month, I realized that my hair felt thicker, and more manageable. I also noticed that the excessive hair loss came to a stand still and when I combed my hair, I was able to obtain a cosmetically acceptable style without my front looking so thin. This pleased me greatly, so after the 90 days, I took another picture of my head. After having the pictures developed, I almost fell over when I realized that what I thought was snake oil, was for

real—I **actually grew hair—not fuzz, but real hair, that I could comb and have cut.** . . . What a nice feeling for a guy that thought he was going to need a hairpiece in a very short time.

The Nutrial concept works on Multi-Level Marketing. In other words if you were to get involved buying the product, and knew several other barbers or beauticians that wanted the product, all you do is sign up these professionals, and you get 9% of everything they purchase—so let's say you were to sign up 5 people, and they talked to friends and signed up some and so on. Do you realize the kind of money you could make just on their purchases—not to mention the profit you could make by retailing the product in your salon. Here it is, we in the hair business finally have a product that is a natural for us, and we can make a real buck while helping our customers achieve a nice head of healthy hair.

I hope this article generates your interest in Nutrial. I wouldn't steer you wrong. My partner and I have about 50 barbers and beauticians in the Philadelphia, South Jersey area now involved with this product, and to date we have had no

negative response.

There is one thing you have to realize right up front, if a person is skin bald, and has been that way for years, the party's over. Nothing is going to grow hair for this client. However, if a person is realizing abnormal hair loss, and notices the hair thinning out, Nutrial really can help correct this problem, and in many cases regenerate growth.

Never try to con your customer. Let him or her know right up front that Nutrial is designed to be a hair fitness program, but the results he or she may obtain can be almost unbelievable. Good luck!



## EXHIBIT F



NUTRIOL  
*News All Across America*

Washington's heads of state are apparently joining ranks with New Yorkers who have already embraced the new product in the hopes of having a hair-raising experience.

Kim Upton  
Boston Herald, April '86

There are some big-name politicians and lobbyists using this. There have been significant results with no adverse reactions.

Washington Magazine  
March '86

Two other anti baldness products may sneak into Philadelphia soon. One is NUTRIOL, a hair fitness preparation, and has garnered a cult following in New York, Florida and California.

Philadelphia Magazine  
May '86

The hexasaccharide hydrolyzed mucopolysaccharide molecule is small enough to penetrate into the follicle, but not through the follicle lining.

*Muscle Fitness Magazine*

If a person is realizing abnormal hair loss, and notices the hair thinning out, NUTRIOL really can help correct this problem, and in many cases regenerate growth.

Lenny Simon  
Hair International News

For the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle.

All information points to NUTRIOL as being the best remedy available for hair loss. We can expect NUTRIOL to become a household word over the next couple of years.

Health World Magazine  
Winter 86-87 Edition

have about 20 percent more hair now than did before using NUTRIOL. Moreover, the rate of hair loss is noticeably less than before I started using NUTRIOL. I know the product works.

David K. Brown  
Hair Industry News

Yes, it can stimulate hair regrowth.

Dr. Nicholas Bruno  
Providence, R.I. Journal

Many users have been satisfied with the results.

ROBB Report  
January 1988

With all these bogus hair growth products and drugs with adverse reactions, is there any hope for a product that will actually work? The answer is yes. NUTRIOL is being used by both men and women with some outstanding results being reported and is stirring up a lot of excitement in the U.S.

Park Cities News  
Dallas, Texas  
October '86

The appeal of a 'natural' product as opposed to a synthetic drug is a strong selling point .... A European hair fitness preparation called NUTRIOL seems to be taking the lead .... In spite of its newcomer status, NUTRIOL seems to be generating enthusiasm here just as it has in Europe.

*Sports Fitness Magazine*  
October '86

NUTRIOL rejuvenates the scalp ... Usually you may experience healthier, thicker, more vigorous hair growth for both men and women

*American Salon*

For additional information, contact your NU SKIN representative.



**STOP  
LOSING  
HAIR  
ASK HOW**



EXHIBIT H

**\$100**  
WORTH OF  
SPORTS PEAK  
PERFORMANCE  
PRODUCTS  
**FREE**

Just to Introduce Our  
Unique Product Line

You Will Receive  
**FREE**

- Drug Testing in Sports by Dr. Bob Goldman, Chief Drug Control Officer, International Federation of Body Builders (IFBB) 30 min audio cassette \$20.00 value
- 1988 Record in Peak Performance Medicine and Longevity: 30 min audio cassette (also 5 audio recordings) \$25.00 value
- Sports Tech Labs best of Elite Sports Performance Products \$5.00 value
- Same as above plus 5 additional audiotapes so you'll always get the most advanced information on diet, training and anatomy \$10.00 value
- 3 audiotapes so you'll be the most advanced sports enhancement products available anywhere \$40.00 value

Send name and address  
and \$5.95 to cover  
postage and handling to

**SPORTS TECH  
LABS, INC.**  
PO. Box 146571  
Chicago, IL 60614-6571  
Customer Service Hotline  
312-929-5102

from cut-rate hair-transplant clinics where doctors may be relatively inexperienced. Look for a surgeon or dermatologist associated with the American Society of Dermatologic Surgery.

People have been looking for baldness cures since time immemorial. The latest bottled remedy is Upjohn's minoxidil, which the pharmaceutical giant markets under the name Rogaine. The difference between minoxidil, Rogaine and all its predecessors is that Upjohn's drug seems to really work.

Minoxidil began as blood pressure medicine. (Its prescription blood-pressure version is called Loniten.) It seemed to grow hair as a side effect. (If you have normal blood pressure and start taking minoxidil, will it lower your blood pressure to dangerous levels? Almost certainly not. Upjohn tried it on 2,300 volunteers looking for just this effect, and no one had any serious problems.)

Used as a hair restorer, minoxidil is applied to the scalp every day. It seems to act by restoring blood circulation to affected follicles. The amount used is minute, which is why only the pill-form Loniten affects your blood pressure.

Does it work in every case? No, but it works in some. How many? About four in 10, says Upjohn, 50%. This may be an optimistic figure, because the Upjohn study excluded men over 40 and men who were totally bald or close to it. The drug seems to work better if you're younger, if you're not losing hair too quickly, and if you haven't been balding long. In other words, the less you need it, the better it'll work.

Nevertheless, a 40% chance at some improvement is promising enough for many people. Upjohn now sells minoxidil as a hair restorer in 40 countries. In the U.S., an impressive 73% of dermatologists prescribe the drug for hair loss. You've read about minoxidil, Rogaine before in *MUSCLE & FITNESS* and you'll be hearing lots more about it as it establishes its niche in the U.S. market. What we can safely say about it is that there probably is a drug in our future that will cure baldness, and that minoxidil/Rogaine is the first effective step.

It's hard to have healthy hair without good nutrition. Several years ago *Nutrition Reports International* reported on an experiment on gelatin as a hair health aid. When subjects supplemented their diets with 14 g of plain gelatin a day, the diameter of hair strands increased 50% in two months.

Thicker individual strands are considered to carry improved mechanical properties. When the subjects stopped eating gelatin, strand diameter shrank

back to normal in six months.

Nutril is a big-time hair-growth product in Europe, where it's marketed as Foltene. How big? It outsells every over-the-counter preparation except Tylenol and aspirin over there. In this country, independent distributors sell it as a "natural," drug-free product. To avoid FDA action, distributors can't refer to its hair-restoring properties. Instead it's called a "hair fitness preparation." But Nutril has been in the news plenty, and everyone knows that in Europe, people think it grows hair.

Nutril is a literal hair tonic that attempts to restore nutrients and growth factors to dormant hair follicles. It is in fact a natural product, containing amino acids, vitamins, sodium pantothenate, natural vasodilators and complex organic substances extracted from animal tissues. The product's "secret" is its patented process for extracting elements that yield molecules small enough to impart these nutrients inside the hair follicle.

Does it work? Europeans and Nutril's U.S. distributors say it does. If dormant follicles are your problem, there seems to be no reason why it wouldn't work. Dead follicles, of course, are just dead. In any case, the stuff costs less than minoxidil or a transplant—about \$600 or less a year. And it sells like hot cakes in Europe.

In his book, *Fitness Through Pleasure*, Porter Shiner, editor of *The Executive Fitness Newsletter*, proposes a hair "tonic" cocktail anyone might think about drinking in a daily glass. With fresh fruit juice in a blender, whip up the following:

- 1 cup plain yogurt
- 1 banana
- 1/2 cup cherries
- 5 Tbsp. wheat germ
- 2 Tbsp. brewer's yeast
- 1 Tbsp. lecithin granules
- 1 tsp. Vitamin C crystals
- 1 raw egg yolk
- 1 Tbsp. unflavored gelatin powder

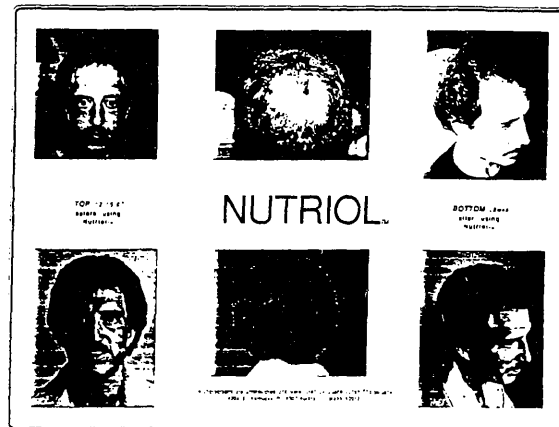
Finally, get yourself a good hairdresser. He can make what hair you've got look beautiful. People who make their living making you beautiful can tell you a lot about your hair. For example, they know that trimming stops splitting from traveling up the shaft of hair. They can advise you against using conditioners more than once a week and hair oils not at all, and that the best hair brush bristles come from boars. □

Interested about hair loss? The author recommends Dr. Lee Rosen, MD. For questions or a personal dermatological consultation, contact Lee Rosen, M.D., at (404) 525-7400, 2400 Peachtree Street, N.E., Atlanta, GA 30309. (404) 525-7400.

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## EXHIBIT I



Over the past several years, I have been watching my hair grow thinner and shorter, and becoming very dry and brittle. On December 15th, 1987, I started using NUTRIOL. In just seven months, my hair has become thicker and fuller. I am also experiencing new growth all along my once receding hairline and in the crown area. My hair now grows longer and has become much softer.

NUTRIOL is the best hair care product I have ever used. Thank you NU Skin! I recommend NUTRIOL to anyone with thinning hair or who would just like to build more body and fullness into the hair.

*[Signature]*

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Independent Distributor  
00000000

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Complaint

EXHIBIT J

- b. Referral: Use center of influence list as above and if they buy the product ask for a referral. If they don't buy the product ask for a referral also. Always ask for a referral, and then get referrals from referrals.

Example: After the sale.

(Script)

You: I'd like to thank you for becoming a customer of mine. Jill, I know you'll simply love this skin care line. I really appreciate your help in getting my business started. I'm sure you know some friends who could also benefit from a great product like this. Can you give me 3 or 4 names of friends or associates that I can show the line to.

Example: No Sale

(Script)

You: Gee Ann, I can understand how skin care is not that important to you, but I am sure you know some friends or business associates who are thinning or who it really bothers. I am really committed to make my business a success and I'd appreciate you help in getting it off the ground. Can you give me the names of 3 or 4 people you know who are thinning or balding?

Thanks, I really appreciate it.

- c. Third party referral: If you are uncomfortable about approaching retail customers directly, or use third party referral. You are actually prospecting them by asking for referrals.

Script)

You: Janet, Hi. How have you been? (small talk) Janet, guess what? I just started a new job with a marketing company and one of their products is a dynamic skin care line (or hair product, or nutritional line, or subliminal tape line). It's the most expensively manufactured skin care in existence in the world, and priced at less than Lancome or Clinique. Their non-surgical face lift will actually remove wrinkles better than Retin-A. It's exciting. I wanted to ask you a favor. Can you give me just four names of friends or business associates I could show the line to, someone who would like to look 10 years younger.

Janet: That sounds great. I could use a product like that.

You: You could? Great! Let's set an appointment and I'll give you a non-surgical face lift demo. (Set appointment) While I have you on the phone, give the names of the four friends that I can show this to also. (Call the referrals and use the same technique for obtaining more referrals.)

- d. Video pass out: This can be used if you are uncomfortable with approaching people directly. Use videos to sift for level of interest in the product:

- (i) Skin care: Use "Opportunity of a Lifetime" video. (Available from Nu Skin)
- (ii) Subliminal Tapes: Use "Subliminal Explanation Tape" audio cassette. (Available from Nu Skin)

(Script)

You: Janet Hi! How are you doing?

Janet: Great, what have you been up to?

You: Well I've been pretty busy. I just got involved with a company that markets some pretty dynamic products. Matter of fact when I saw one of them I thought of you. It's a

**EXHIBIT  
J**

EXHIBIT K - AUDIO CASSETTE

EXHIBIT L - VIDEO CASSETTE

EXHIBIT M - VIDEO CASSETTE

**GET RID OF WRINKLES!**

**EXHIBIT N**



*Ask about a*

**FREE**

**NON-SURGICAL FACE-LIFT**

*Demonstration*

**"I CAN'T BELIEVE THE LIFT MY DAUGHTER HAS GIVEN ME"**



our Independent NuSkin Distributor

When my daughter wanted to give me a NuSkin face-lift, I chuckled. I just knew she was kidding herself if she thought there was hope for my well-earned wrinkles of 84 years.

Little did I realize that my skin not only looks and feels better, but I am becoming a celebrity, meeting so many new and exciting people. Imagine feeling like a model at my age.

I do have one problem though. Louise keeps putting me off about doing the other side. Needless to say it's hard to keep my best side forward all the time!

I am excited that there is a product like NuSkin available which works so dramatically giving hope to a wrinkled skin problem that I thought hopeless. I don't expect to look 20 years old, but I like looking as young as I feel and that's not 84 years of age. My husband who is nearly 92 years of age gives me an added touch—a kiss on my NuSkin cheek everyday!

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## EXHIBIT O

## A RECOVERY UNEXPLAINED BY DOCTORS

by LOU WAPP of MILWAUKEE, WISCONSIN  
(414)462-2128

On July 8, 1988 I received second and third degree burns to my legs. Doctors told me that I would be bedridden for 6-8 months, not able to work or enjoy the rest of the summer because of the heat of the sun. They also said that I would need skin grafting on my right leg from the knee down, and that my upper left leg would be scared. This was very devastating to me.

What you see in the pictures is the debriding of the dead skin done by the nurses. Doctors told me that without the skin grafting my leg would be disfigured, tight and scared in color and that I would not have full movement near my ankles because the skin would grow back tight. At the time, the grafting seemed to be the only answer- until I was introduced to NU SKIN INTERNATIONAL and their products.

On July 23, 1988 I was invited to a seminar, so I rented a wheelchair and attended. They talked about a product called CELLTREN made with AVIAN COLLAGEN. I was given a sample and started to use it. This product had been tested on burns victims with success in healing tissue. I started to use the CELLTREN on a small area of my upper right leg, and in three days I noticed what looked like little bubbles of skin forming on my leg. I was to go see the doctor on Monday because they had my surgery scheduled for Tuesday. When I saw the doctor he examined my leg and said there looked to be skin growing "and your leg may not need grafting, so we'll postpone the surgery until next Tuesday, so we can watch and see what happens to the rest of the leg. You will need grafting, but not as much as we first thought." I started to use the CELLTREN further down my leg now and the same thing began to happen. They postponed all three surgeries because all of the skin came back in less than 90 days.

My skin feels normal in texture and where they told me I'd never have hair on my leg, I have hair. My skin is already turning back to it's normal color in some areas, as you can see in the pictures.

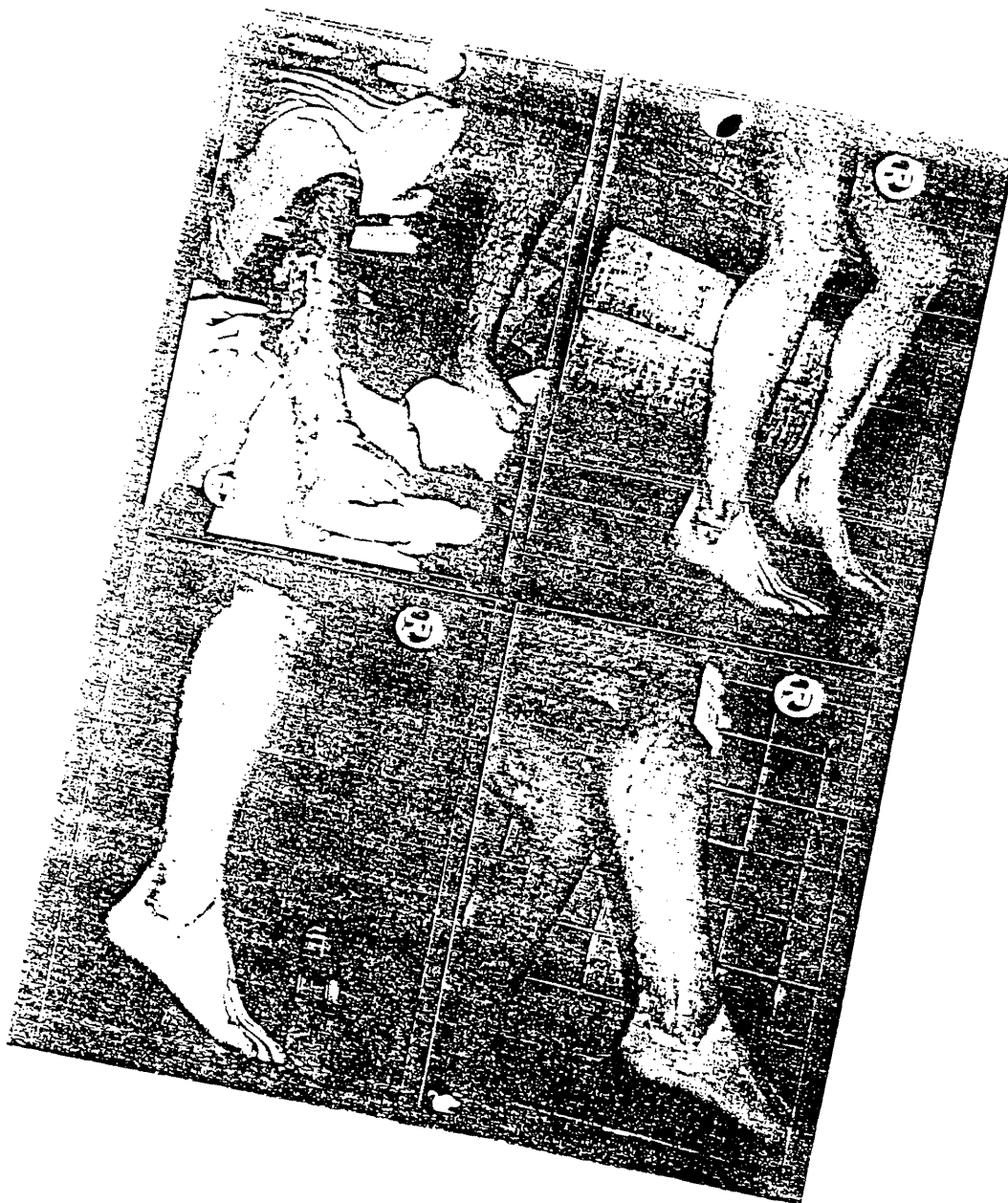
I am thrilled with the results from CELLTREN and the other products. I have used the NAPCA MOISTURE MIST, and when the skin was all back, I used the REJUVENATING CREAM and the ENHANCER.

Needless to say, the doctors can't explain what happened, they are just as amazed and as happy as I am.

Thanks to NU SKIN products, I'm up and running! .....

*Lou Wapp*

## EXHIBIT O



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EXHIBIT P



**Stop walking  
past a fortune**

**If you're not earning  
\$10,000 a month or more**

**We Need To Talk!**  
**Call Now**  
**(816) 464-8150**  
**24 Hour Recorded Message**

## EXHIBIT Q

EXAMPLE: SCRIPT FOR YOUR "WANT AD'S" ANSWERING MACHINE

YOUR MAIN

REACTION MAY BE ONE OF SKEPTICISM. LET ME ASSURE YOU I HAVE BETTER THINGS TO DO WITH MY TIME AND MONEY THAN TO MESS AROUND WITH PHONEY ADVERTISING AND MISPLACED HUMOR.

BEFORE I CONTINUE, THIS MESSAGE IS FOR THOSE WHO ARE NOT HAPPY WITH THEIR STANDARD OF LIVING SO IF YOU ARE MAKING ENOUGH MONEY AND HAVE THE TIME TO ENJOY IT, OR IF YOU NEED A JOB THEN I SUGGEST YOU HANG UP NOW.

BUT IF THE THOUGHT OF BEING TOTALLY AND ABSOLUTELY FINANCIALLY FREE WITHIN 6-24 MONTHS PUSHES ANY BUTTONS, PLEASE KEEP LISTENING BECAUSE WHAT YOU ARE ABOUT TO HEAR IS ABSOLUTELY TRUE.

LEST YOU WORRY THIS IS NOT AMWAY, HERBAL LIFE, MARY KAY, WATER UNITS OR ANY OTHER SATURATED PROGRAM. WHAT THIS IS, IS A MOTHER LODE OF WHAT FINANCIAL EXPERTS NATIONWIDE ARE CALLING THE GREATEST OPPORTUNITY IN THE LAST 25 YEARS.

I DON'T KNOW IF YOU HAVE WHAT IT TAKES TO EARN 10,000 DOLLARS A MONTH BUT IF YOU QUALIFY, I WILL RECRUIT AND TRAIN YOU FOR WHAT PROFESSIONALS CALL THE FINEST NETWORKING MARKETING PROGRAM AVAILABLE TODAY.

THERE IS ONE CATCH. THAT IS YOU MUST MEET WITH ME FOR ONE HOUR FOR A NO PRESSURE, NO HYPE, FACT FINDING INTERVIEW. DURING THAT ONE HOUR WE WILL DISCUSS THE OPPORTUNITY. FOLKS THIS IS FOR REAL. YOU MAY THINK THIS IS A JOKE. SADLY SPEAKING FOLKS THE JOKE IS ON THOSE WHO WILLINGLY GIVE UP 40 YEARS OF THEIR LIVES BUILDING SOMEONE ELSE'S WEALTH.

THE FIRST STEP OUT OF THE RAT RACE IS LEAVE YOUR NAME AND NUMBER SO I CAN CALL YOU BACK. LET'S FIND OUT IF YOU CAN BE AND WILL BE ONE OF THE FIRST 25 PEOPLE I WILL HELP GET EARNING WELL OVER \$100,000 IN THE NEXT 12-24 MONTHS. IF YOU HAVE THE COURAGE TO LEAVE YOUR NAME AND PHONE NUMBER AND PLACE YOURSELF IN A WIN/WIN SITUATION, IT WILL MAKE YOU RICH. THANK YOU FOR CALLING, PLEASE LEAVE YOUR MESSAGE AT THE SOUND OF THE TONE.

Complaint

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## EXHIBIT R

## TELEPHONE SCRIPT

TALK WITH EXCITEMENT, REMEMBER THIS SCRIPT IS GOING TO  
MAKE YOU A MILLION DOLLARS!!!!

AFTER SMALL TALK: F.O.R.M. (FAMILY, OCCUPATION, RECREATION, MONEY)

I'M WORKING WITH A BUSINESS CONCEPT THAT IS SWEEPING THE COUNTRY. WE HAVE ALREADY SET UP BUSINESSES IN CHICAGO, MILWAUKEE, MINNEAPOLIS, CALIFORNIA, AND HAWAII (delete your area if it is one of these). BASED ON WHAT IS HAPPENING THERE, THE PEOPLE THAT WE START WORKING WITH LOCALLY WILL EARN IN EXCESS OF \$60,000-\$80,000 THEIR FIRST YEAR WITHOUT JEOPARDIZING THEIR PRESENT INCOME. I'M LOOKING FOR 5 KEY PEOPLE, I DON'T KNOW IF YOU'RE ONE OF THEM, BUT I THOUGHT OF YOU FIRST. DOES THIS SOUND LIKE SOMETHING YOU'D LIKE TO HEAR MORE ABOUT?

You may be able to stop here and just get a firm commitment to get together, or you may need to give them some more information. If they need more information, DO NOT DEVIATE FROM THIS SCRIPT!!!! Remember, CREATE CURIOSITY, DO NOT SATISFY!!!!

HAVE YOU HEARD OF UPLONN COMPANY? THEY HAVE A PRODUCT CALLED MINOXIDIL, WHICH HAS JUST RECENTLY BEEN APPROVED BY THE FDA. UPLONN HAD ALREADY SPENT 2 BILLION DOLLARS ON THIS PRODUCT BEFORE IT WAS EVEN OUT!!!! HOWEVER, IT IS A PRESCRIPTION DRUG, IS ONLY 30% EFFECTIVE, AND HAS A LOT OF REPORTED SIDE EFFECTS. MEANWHILE IN ITALY, A 40 YEAR OLD PHARMACEUTICAL COMPANY HAS A PRODUCT THAT IS OVER 80% EFFECT AND HAS NO SIDE EFFECTS. IT IS ALREADY THE #1 SELLING PRODUCT IN EUROPE. IT IS FDA APPROVED IN FRANCE, ITALY, AS WELL AS GREECE, SPAIN, AND PORTUGAL. IT IS FDA LISTED HERE IN THE U.S. AS A COSMETIC. WE ARE WORKING WITH THE COMPANY THAT HAS EXCLUSIVE MARKETING RIGHTS HERE IN THE U.S. THE SAME PATENTED PROCESS FOR THE HAIR, ALSO HELPS EYELASHES AND FINGER-NAILS. PLUS A ISOMETRIC FACELIFT THAT HELPS FINE LINES AND WRINKLES AND IS MAKING PEOPLE LOOK YEARS YOUNGER IN JUST 1 OR 2 APPLICATIONS.

I REALLY CAN'T TELL YOU ANYMORE, BECAUSE WHAT I HAVE TO SHOW YOU IS SO VISUAL, IT WILL TAKE ABOUT 60 MINUTES. IF I'M COMPLETELY WRONG-THAT'S ALL YOU'VE LOST, BUT IF I'M RIGHT, DON'T YOU OWE IT TO YOURSELF TO FIND OUT??

WE'RE GETTING TOGETHER TO DISCUSS THE POSSIBILITY OF OPENING UP THIS AREA ON \_\_\_\_\_. SINCE I'M ONLY LOOKING FOR 5 KEY PEOPLE, I NEED TO KNOW YOU ARE GOING TO DEFINITELY BE THERE!!!! CAN I COUNT ON YOU BEING THERE? CAN I COUNT ON YOUR SPOUSE BEING THERE? GREAT!! I'VE GOT IT ON MY CALENDAR, DO YOU HAVE IT ON YOURS?? SEE YOU THEN!!!!

## REMEMBER THE 4 C'S:

- C--COMPLEMENT!!!!
- C--CREATE CURIOSITY, DO NOT SATISFY!!!!
- C--CONTROL YOURSELF FROM ANSWERING QUESTIONS!!!!
- C--COMMITMENT, GET A FIRM COMMITMENT FOR YOUR APPOINTMENT DATE!!!!

## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Chicago Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission would charge respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and no comments having been filed thereafter by interested parties pursuant to Section 2.34 of its Rules, now in further conformity with the procedures prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent Nu Skin International, Inc. ("Nu Skin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 75 West Center, Provo, Utah.

2. Respondent CJM, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 1565 East 3300 South, Salt Lake City, Utah.

3. Respondent Clara McDermott is an officer and director of corporate respondent CJM, Inc. Individually or in concert with others, she formulates, directs, and controls the acts and practices of CJM, Inc., including the acts and practices alleged in the complaint

attached hereto. Her principal office or place of business is the same as that of CJM, Inc.

4. Respondent CST Management, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 11 Northridge Way, Sandy, Utah.

5. Respondent Craig Tillotson is an officer and director of corporate respondent CST Management, Inc. Individually or in concert with others, he formulates, directs, and controls the acts and practices of CST Management, Inc., including the acts and practices alleged in the complaint attached hereto. His principal office or place of business is the same as that of CST Management, Inc.

6. Respondent CK&C, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 3800 Sherwood Drive, Provo, Utah.

7. Respondent Craig Bryson is an officer and director of corporate respondent CK&C, Inc. Individually or in concert with others, he formulates, directs, and controls the acts and practices of CK&C, Inc., including the acts and practices alleged in the complaint attached hereto. His principal office or place of business is the same as that of CK&C, Inc.

8. The acts and practices of the respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

9. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

## ORDER

### DEFINITIONS

For purposes of this order:

1. "*Substantially similar hair loss treatment product or service*" shall mean any product or service that is advertised or intended for sale over-the-counter to treat, cure or curtail hair loss and which contains or purportedly contains polysaccharides or any extract thereof.

2. “*Substantially similar facial treatment product or service*” shall mean any product or service that is advertised or intended for sale over-the-counter to remove facial wrinkles and that contains or purportedly contains albumin or any extract thereof.

3. “*Substantially similar skin treatment product or service*” shall mean any product or service that is advertised or intended for sale over-the-counter to treat or promote the healing of burns that would otherwise require skin grafting and that contains or purportedly contains aloe vera and/or avian collagen or any extract thereof.

4. “*Competent and reliable scientific evidence*” shall mean tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.

#### I.

*It is ordered*, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or through any partnership, corporation, subsidiary, division, or other device, do forthwith cease and desist from:

A. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of Nutriol Hair Fitness Preparation (“Nutriol”), or any substantially similar hair loss treatment product or service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, that:

1. The use of the product or service can or will stop, prevent, cure, relieve, reverse or reduce hair loss;

2. The use of the product or service can or will promote the growth of hair where hair has already been lost;

3. The product or service is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss; or
4. Competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth.

B. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any other product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, that:

1. The use of the product or service can or will stop, prevent, cure, relieve, reverse or reduce hair loss;
2. The use of the product or service can or will promote the growth of hair where hair has already been lost;
3. The product or service is as effective as, or more effective than, any other product or service in the treatment of hair loss; or
4. Competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth, unless such representation is true and, at the time of making such representation, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

C. Advertising, packaging, labeling, promoting, offering for sale, selling, or distributing any product that is represented as promoting hair growth or preventing hair loss, unless the product is the subject of an approved new drug application for such purpose under the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. 301 *et seq.*, provided that, this subpart shall not limit the requirements of part I.A and B herein.

## II.

*It is further ordered,* That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or

through any partnership, corporation, subsidiary, division, or other device, do forthwith cease and desist from:

A. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of Face Lift with Activator ("Face Lift"), or any substantially similar facial treatment product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, that:

1. The use of the product or service can or will permanently remove facial wrinkles; or
2. The product or service is as effective as, or more effective than, the prescription drug Tretinoin (currently marketed as Retin-A) in the removal of facial wrinkles.

B. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any other product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act:

1. The efficacy of the product or service in the treatment of facial wrinkles; or
2. That the product or service is as effective as, or more effective than, any other product or service in the treatment of facial wrinkles,

unless such representation is true and, at the time of making such representation, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

### III.

*It is further ordered,* That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or

through any partnership, corporation, subsidiary, division, or other device, do forthwith cease and desist from:

A. Representing, in any manner, directly or by, implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of Celltrex or any substantially similar skin treatment product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, that the product or service will promote the healing of third degree burns.

B. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any other product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, that the product or service will promote the healing of, or is otherwise an effective treatment for burns, unless such representation is true and, at the time of making such representation, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

#### IV.

*It is further ordered,* That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or through any partnership, corporation, subsidiary, division, or other device, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Making any representation, directly or by implication, regarding the performance, benefits, efficacy or safety of any food, drug, or device, as those terms are defined in Section 15 of the Federal Trade Commission Act, 15 U.S.C. 55, unless at the time of making such representation respondents possess and rely upon

competent and reliable scientific evidence that substantiates the representation.

B. Making any representation, directly or by implication, regarding the performance, benefits, efficacy or safety of any product or service (other than a product or service covered under part IV.A. herein), unless at the time of making such representation respondents possess and rely upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates the representation.

## V.

*It is ordered,* That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or through any partnership, corporation, subsidiary, division, or other device, in connection with inducing or seeking to induce the participation of any person in any distribution, sales, or marketing plan, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, in any manner, the past, present, or future profits, earnings, income, or sales from such participation; and

B. Representing, in any manner, directly or by implication, by use of hypothetical examples or otherwise, that distributors earn or achieve from such participation any stated amount of profits, earnings, income, or sales in excess of the average profits, earnings, income, or sales of all distributors in any time period respondents may select, unless in conjunction therewith such average profits, earnings, income, or sales are clearly and conspicuously disclosed, and the percent of all distributors who actually achieved such stated profits, earnings, income, or sales in such time period is clearly and conspicuously disclosed.

## VI.

*It is further ordered,* That respondent Nu Skin shall:

A. Within thirty (30) days from the effective date of this order deliver a dated and signed notification letter in the form set forth in Appendix A to this order to each of its current officers, agents, representatives, employees, and distributors.

B. For a period of five (5) years from the effective date of this order deliver signed notification letter in the form set forth in Appendix A to this order to each of its future officers, agents, representatives, employees, and distributors within three (3) days after the person assumes such position. Respondent Nu Skin shall be in compliance with this subparagraph with respect to notifying future distributors if such notification letter is included in each starter kit provided to each future distributor.

C. Institute a reasonable program of continuing surveillance adequate to reveal whether the practices of each person described in part VI.A. and B. conform to the requirements of this order, and promptly investigate any complaints about any such person received by Nu Skin and maintain records of any such complaint, investigation and disposition of the complaint for five (5) years from the date of the complaint, such records to be furnished to the Commission upon request.

D. Discontinue dealing with any person described in part VI.A. and B:

1. Who engages in the acts or practices prohibited by parts I.A., II.A. or III.A. of this order; or

2. Once respondent Nu Skin has actual knowledge, or knowledge fairly implied on the basis of objective circumstances, that such person is engaged in acts or practices prohibited by any other part of this order, unless such person immediately ceases engaging in such acts or practices.

## VII.

*It is further ordered,* That respondents CJM, Inc., CST Management, Inc., CK&C, Inc., Clara McDermott, Craig Tillotson, and Craig Bryson shall:

A. Within thirty (30) days from the effective date of this order deliver a dated and signed notification letter in the form set forth in Appendix A to this order to each of their officers, agents, representatives, employees, and present distributors, other than those persons whom Nu Skin is required to notify pursuant to part VI.A and B above.

B. For a period of five (5) years from the effective date of this order deliver a dated and signed notification letter in the form set forth in Appendix A to this order to each of their future officers, agents, representatives, employees, and distributors who are engaged in the advertising, promotion, offering for sale, sale or distribution of any food, drug, device or cosmetic within the meaning of Section 15 of the Federal Trade Commission Act, 15 U.S.C. 55, or who are engaged in any multilevel marketing plan or business, other than those persons whom Nu Skin is required to notify pursuant to part VI.A and B above, within three (3) days after the person assumes such position.

#### VIII.

*It is further ordered,* That respondents shall, within sixty (60) days after service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

#### IX.

*It is further ordered,* That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., shall notify the Federal Trade Commission at least thirty (30) days prior to any proposed change in their corporate structures, including but not limited to dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, the planned filing of a bankruptcy petition or any other corporate change, that may affect compliance obligations arising under this order.

## X.

*It is further ordered,* That respondents Clara McDermott, Craig Tillotson, and Craig Bryson shall, for a period of five (5) years from the date this order becomes final, notify the Commission within thirty (30) days of the discontinuance of their present business or employment and of each affiliation with a new business or employment. Each notice of affiliation with any new business or employment shall include the individual respondent's new business address and telephone number, current home address, and a statement describing the nature of the business or employment and the duties and responsibilities. The expiration of the notice provision of this part X shall not affect any other obligation arising under this order.

## XI.

*It is further ordered,* That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission or its staff for inspection and copying:

A. All materials which come into their possession from a distributor or any other source that were relied upon in disseminating such representation; and

B. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question such representation, or the basis relied upon for such representation, including complaints from consumers.

## XII.

*It is further ordered,* That respondent Nu Skin, its successors and assigns, shall pay to the Federal Trade Commission, by cashier's check or certified check made payable to the Federal Trade

Commission and delivered to the Regional Director, Federal Trade Commission, 55 East Monroe Street, Suite 1437, Chicago, Illinois, the sum of one million dollars (\$1,000,000). Respondent shall make this payment on or before the tenth day following the date that this order becomes final. In the event of default on any obligation to make payment under this section, interest, computed pursuant to 28 U.S.C. 1961(a), shall accrue from the date of default to the date of payment. The funds paid by respondent shall, in the discretion of the Federal Trade Commission, be used by the Commission to provide direct redress to purchasers of the Nutriol, Face Lift, and Celltrex products. If the Federal Trade Commission determines, in its sole discretion, that redress to purchasers of these products is impracticable or otherwise unwarranted, any funds not so used shall be paid to the United States Treasury. Respondent shall be notified as to how the funds are distributed, but shall have no right to contest the manner of distribution chosen by the Commission.

### XIII.

*It is further ordered,* That respondents CJM, Inc., CST Management, Inc., and CK&C, Inc., their successors and assigns, and their officers, and Clara McDermott, Craig Tillotson and Craig Bryson, individually and as officers and directors of said corporations, shall pay to the Federal Trade Commission, by cashier's check or certified check made payable to the Federal Trade Commission and delivered to the Regional Director, Federal Trade Commission, 55 East Monroe Street, Suite 1437, Chicago, Illinois, the sum of two hundred twenty five thousand dollars (\$225,000). The respondents shall make this payment on or before the tenth day following the date this order becomes final. In the event of default on any obligation to make payment under this section, interest, computed pursuant to 28 U.S.C. 1961(a), shall accrue from the date of default to the date of payment. The funds paid by the individual respondents shall, in the discretion of the Federal Trade Commission, be used by the Commission to provide direct redress to purchasers of the Nutriol, Face Lift, and Celltrex products. If the Federal Trade Commission determines, in its sole discretion, that redress to purchasers of these products is impracticable or otherwise unwarranted, any funds not so used shall be paid to the United States Treasury. The respondents shall be notified as to how the funds are

distributed, but shall have no right to contest the manner of distribution chosen by the Commission.

#### APPENDIX A

Dear Officer, Agent, Representative, Employee, Distributor:

The Federal Trade Commission ("FTC") has conducted an investigation to determine whether Nu Skin International, Inc. ("Nu Skin"), and certain of its distributors may have engaged in acts or practices which violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Section 45, as amended, including, but not limited to, false and unsubstantiated product claims and earnings representations for Nu Skin products and distributorships. As a result of its investigation, the FTC has alleged that Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; and Craig Bryson, individually and as an officer and director of CK&C, Inc., (herein collectively referred to as "respondents"), have made false and unsubstantiated representations in connection with the advertising, promotion, offering for sale, sale, and distribution of Nutriol Hair Fitness Preparation ("Nutriol"), Face Lift with Activator ("Face Lift"), and Celltrex, and the recruitment of Nu Skin distributors.

As a result of recent discussions with the FTC, the respondents have agreed to a consent order ("order") with the FTC. The order is for settlement purposes only and does not constitute an admission of violations of law by any of the respondents. Pursuant to the order, the respondents have agreed not to make certain claims for the Nutriol, Face Lift, and Celltrex products or any substantially similar products or services. In addition, the respondents have agreed not to make certain claims for any other products or services unless they can substantiate those claims. The respondents have also agreed not to make certain claims about the past or potential earnings of their distributors. Finally, the respondents are obligated by the order to discontinue dealing with any person who engages in the acts or practices prohibited by the order.

Specifically, the order prohibits the respondents from claiming that:

1. Nutriol or any substantially similar product or service (a) can or will stop, prevent, cure, relieve, reverse or reduce hair loss; (b) can or will promote the growth of hair where hair has already been lost; or (c) is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss;
2. Competent and reliable data show that Nutriol or any substantially similar product or service is effective in stopping hair loss and promoting hair growth;
3. Face Lift or any substantially similar product or service (a) can or will permanently remove facial wrinkles; or (b) is as effective as, or more effective than, the prescription drug Tretinoin (currently marketed as Retin-A) in the removal of facial wrinkles; and
4. Celltrex or any substantially similar product or service will promote the healing of third degree burns.

In connection with any other product or service, the order prohibits the respondents from representing:

1. That the product or service: (a) can or will stop, prevent, cure, relieve, reverse or reduce hair loss; (ii) can or will promote the growth of hair where hair has already been lost; (iii) is as effective as, or more effective than, any other product or service in the treatment of hair loss; (iv) is as effective as, or more effective than, any other product or service in the treatment of facial wrinkles; or (v) will promote the healing of, or is otherwise an effective treatment for burns;
2. That competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth; and
3. The efficacy of the product or service in the treatment of facial wrinkles,

unless the claim is true and, at the time of making the claim, it possesses and relies upon competent and reliable scientific evidence that substantiates the claim.

The order also prohibits the respondents from advertising, packaging, labeling, promoting, offering for sale, selling, or distributing any product that is represented as promoting hair growth or preventing hair loss, unless the product is the subject of an approved new drug application for such purpose under the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. Section 301 *et seq.*

The order also prohibits the respondents from making any representation regarding the performance, benefits, efficacy or safety of any food, drug, or device unless at the time of making such representation respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation. Similarly, the order prohibits the respondents from making any representation regarding the performance, benefits, efficacy or safety of any product or service (other than any food, drug, or device), unless at the time of making such representation respondents possess and rely upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates the representation.

Finally, the order prohibits the respondents from:

1. Misrepresenting the past, present, or future profits, earnings, income, or sales of any person in any distribution, sales or marketing plan; and
2. Representing that distributors earn or achieve any stated amount of profits, earnings, income, or sales in excess of the average profits, earnings, income, or sales of all distributors unless in conjunction therewith the average profits, earnings, income, or sales are clearly and conspicuously disclosed, and the percent of all distributors who actually achieved such stated profits, earnings, income, or sales is clearly and conspicuously disclosed.

In addition to the order's prohibitions, the order requires the respondents to provide a copy of this notice to each of their current and future officers, agents, representatives, employees, and distributors. The order also requires Nu Skin to discontinue dealing with any person who makes any of the representations for Nutriol, Face Lift, Celltrex, or any substantially similar products or services, that are expressly prohibited by the order. Nu Skin must also discontinue dealing with any person who Nu Skin knows is engaged in any other acts or practices prohibited

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by the order, unless the person immediately ceases engaging in such acts or practices.

If you have any questions or would like a copy of the order, you can contact us at [ ].

Very truly yours,

[respondent's name]

## IN THE MATTER OF

## THE KEDS CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3490. Complaint, April 1, 1994--Decision, April 1, 1994*

This consent order prohibits, among other things, a Massachusetts-based manufacturer and seller of athletic and casual shoes from fixing the resale price at which any dealer may advertise or sell any Keds athletic or casual footwear item; coercing or pressuring any dealer to adopt or adhere to any resale price; attempting to secure commitments from any dealer about the resale price at which it will advertise or sell any such product; and requiring or suggesting that dealers report other dealers who advertise or sell any such product below any resale price.

*Appearances*

For the Commission: *Michael J. Bloom, Rhonda J. McLean and Alan B. Loughnan.*

For the respondent: *Richard E. Carlton and Darryl Libow, Sullivan & Cromwell, New York, N.Y.*

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, (15 U.S.C. 41 *et seq.*), and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that The Keds Corporation (hereinafter "Keds" or "respondent"), a subsidiary of The Stride Rite Corporation, has violated the provisions of Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint stating its charges as follows:

PARAGRAPH 1. Respondent is a corporation organized, existing and doing business under and by virtue of the laws of the State of Massachusetts, with its principal place of business located at Five Cambridge Center, Cambridge, Massachusetts.