

IN THE MATTER OF

PHASEOUT OF AMERICA, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3716. Complaint, Feb. 12, 1997--Decision, Feb. 12, 1997*

This consent order requires, among other things, the New York-based firms to send a postcard to identifiable past purchasers of PhaseOut, a purported stop-smoking device, notifying them of the Commission's action. The order also requires the respondents to have scientific substantiation for claims that PhaseOut or any other smoking-cessation product reduces the amount of nicotine, tar, and carbon monoxide smokers receive. In addition, the consent order prohibits the respondents' misrepresentations concerning any test, study or endorsement.

Appearances

For the Commission: *Shira D. Modell, Lesley Anne Fair and Michael Ostheimer.*

For the respondents: *David Clanton, Baker & McKenzie, Washington, D.C. and David Levy, Kraver & Levy, New York, N.Y.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Phaseout of America, Inc. and Products & Patents, Ltd., corporations ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Phaseout of America, Inc. is a Delaware corporation with its principal office or place of business at 140 Broadway, Lynbrook, New York.

2. Respondent Products & Patents, Ltd., is a Delaware corporation with its principal office or place of business at 140 Broadway, Lynbrook, New York.

3. Respondents have manufactured, advertised, labeled, offered for sale, sold, and distributed products to the public, including the PhaseOut device ("PhaseOut"), which punches one or more small holes in cigarettes and is intended to reduce the amount of tar,

nicotine, and carbon monoxide smokers get from their cigarettes and aid in smoking cessation. PhaseOut is a "device" within the meaning of Sections 12 and 15 of the Federal Trade Commission Act.

4. 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.

5. At the time the acts and practiced alleged in this complaint occurred, respondents were under common management and control. Respondent Phaseout of America, Inc. advertised and sold PhaseOut. Respondent Products & Patents, Ltd. owned the patents to PhaseOut, licensed and sold the device to Phaseout of America, Inc., and was a substantial shareholder of Phaseout of America, Inc.

6. Respondents have disseminated or caused to be disseminated advertisements for PhaseOut, including but not necessarily limited to the attached Exhibits A through J. These advertisements contain the following statements and depictions:

INFOMERCIAL #1

A. MASON ADAMS: You're going to see some unprecedented findings and hear some remarkable stories about a breakthrough device that can help you phase cigarettes out of your life without expensive therapies, patches or drugs. . . . Its name is PhaseOut and its effectiveness in reducing the most harmful components of cigarette smoke has been scientifically confirmed in research conducted at such prestigious institutions as the Johns Hopkins University School of Medicine. . . . It creates an additional filter within the existing filter but it doesn't change the taste or the draw of your cigarette. (Exhibit A, p. 1).

B. CONSUMER ENDORSER: There's no point not to use it if you're a smoker. It's not as if you can tell a difference in your cigarette. It's not as if you have to switch to a disgusting tasting cigarette with lower nicotine. It's the same thing that you've always done, only it's less harmful. (Exhibit A, pp. 2 and 18).

C. CONSUMER ENDORSER: PhaseOut is good, it's gradual, you're not even aware that it's working. Then all of a sudden, you realize you're smoking a lot less. (Exhibit A, pp. 2 and 18).

D. MASON ADAMS: If you're like most people, you'll start feeling better right away, while you're preparing to quit. Indeed, PhaseOut's impact is so definite, that even if you don't quit, you'll be significantly reducing the harmful effects of every cigarette. (Exhibit A, p. 2).

E. FIRST CONSUMER ENDORSER: At least you're eliminating a lot of the irritants that are caused by the tars and nicotines. And you start feeling better, I think, almost from the beginning.

SECOND CONSUMER ENDORSER: I'm not as winded. I just feel, even though I'm still smoking, yes, I feel a little bit healthier. (Exhibit A, p. 2).

F. MASON ADAMS: Now, were you a very heavy smoker?

DR. ARNOLD BENSON: I was a heavy smoker. I smoked for forty years exactly, and smoked not less than two packages of cigarettes a day.

ADAMS: And you attribute your quitting to PhaseOut?

BENSON: I stopped smoking because of PhaseOut. PhaseOut did it gradually for me.

ADAMS: And you're still not smoking today?

BENSON: Well, it's two-and-a-half years since I quit. Forty years of smoking and I have gone two-and-a-half-years without smoking and I don't miss it. (Exhibit A, p. 3).

G. MASON ADAMS: Doctor, I understand that there's a medical study which confirms that PhaseOut reduces the amount of nicotine in a regular cigarette.

DR. ROBERT BRANDSTETTER: At Johns Hopkins University, volunteers who smoked for a considerable period of time were enrolled in a study which demonstrated that PhaseOut actually reduced the amount of nicotine in their blood over the period of time of the study.

Depiction: Front cover of journal Pharmacology, Biochemistry and Behavior

Graphic: The Johns Hopkins University School of Medicine

"Smoking exposure reductions of 30% to 80% were obtained for both nicotine and carbon monoxide."

ADAMS: So, the idea is then that if you reduce the amount of addictive nicotine, you'll thereby be reducing the addiction. Is that correct?

BRANDSTETTER: Exactly. And at the same time, you'll be actually reducing the possibility of withdrawal symptoms. And it is these withdrawal symptoms which cause people not to be able to stop smoking. (Exhibit A, pp. 3-4).

H. VOICE-OVER: It works without having to change your cigarette brand, without changing the taste or enjoyment, and, best of all, it works without patches, painful clips or expensive counseling. (Exhibit A, p. 5).

I. CONSUMER ENDORSER: I've been smoking these for about two or three years, it tastes like the same thing. (Exhibit A, p. 5).

J. VOICE-OVER: There is medical evidence that PhaseOut lets you do something good for yourself. The April 1992 issue of Pharmacology, Biochemistry and Behavior published results of a research study conducted at the Johns Hopkins University School of Medicine. This prestigious journal reports that PhaseOut significantly reduced human exposure to tobacco smoke constituents. Reductions of 30% to 80% were observed for both nicotine and carbon monoxide. The report concluded that the use of the PhaseOut device could be particularly useful as a weaning method prior to smoking cessation. (Exhibit A, p. 6).

K. MASON ADAMS: If you follow the PhaseOut plan, over a period of several weeks you will gradually reduce the levels of damaging substances in every cigarette you smoke.

Graphic: Three cigarettes, labeled 'Nicotine,' 'Tar' and 'Carbon Monoxide,' each shrinking in size PhaseOut is a four-step program where you control your progress.

Graphic: Three cigarettes shown shrinking and labeled as follows:

Results after Phase four

Nicotine	81%
Tar	92%
Carbon Monoxide	89%

Here's how it works. Take any standard size pack of cigarettes, hard or soft, kings or 100's, put it into the PhaseOut device and press down. Microfine, almost invisible perforations now create a condensation screen that cuts nicotine levels by

Complaint

123 F.T.C.

26%, the levels of tar by almost 41%, and the levels of toxic gasses like carbon monoxide by 58%.

Graphic: Three cigarettes shown shrinking and labeled as follows:

Results after Phase one

Nicotine	26%
Tar	41%
Carbon Monoxide	58%

Phase two reduces nicotine nearly in half and further reduces the levels of tar and toxic gasses.

Graphic: Three cigarettes shown shrinking and labeled as follows:

Results after Phase two

Nicotine	47%
Tar	66%
Carbon Monoxide	73%

Phase three cuts levels of nicotine by nearly 64%, tar by 80%, and carbon monoxide by 83%.

Graphic: Three cigarettes shown shrinking and labeled as follows:

Results after Phase three

Nicotine	64%
Tar	80%
Carbon Monoxide	83%

By the time you reach phase four, your nicotine consumption is reduced by nearly 81%. You're also taking in 92% less tar and 89% less toxic gasses.

Graphic: Three cigarettes shown shrinking and labeled as follows:

Results after Phase four

Nicotine	81%
Tar	92%
Carbon Monoxide	89%

(Exhibit A, pp. 6-7).

L. MASON ADAMS: You can stay on each phase as long as you like until you're ready to move on. You're in control. You know that with each phase, you're doing more good for your health. And when you get to phase four, you can quit whenever you're ready. PhaseOut has helped many smokers quit cigarettes for good and thousands of others to smoke less damaging cigarettes. (Exhibit A, pp. 7-8).

M. CONSUMER ENDORSER: You wake up in the morning, you're not as congested, you don't have to wait for your chest to clear. I can run up and down the stairs and I can go to the park and I can play ball and I can, you know, run around with the kids and not be winded and not have to sit down and say "Mommy's tired. I can't do this." (Exhibit A, p. 8).

N. BOBBY RYDELL: I've gone from over two-and-a-half packs a day to a pack a day, and I know I'm on my way to quitting because PhaseOut makes it easy. (Exhibit A, p. 8).

O. VOICE-OVER: Nobody has to tell you the damage smoking causes. But many people still enjoy smoking. And even if you want to want to cut back or quit, most methods are annoying, painful, or expensive. But now, there's PhaseOut, a breakthrough device that drastically reduces the harmful effects of cigarette smoking without changing the taste or the pleasure. You don't have to change brands to get all the benefits of reduced nicotine, tar, and other harmful substances. PhaseOut works on any standard pack. With a simple punch, it forms a

condensation filter within your cigarette, which traps more harmful substances before they ever reach your body. By the end of the program, you're smoking 81% less nicotine, 92% less tar, and 89% less toxic gasses. (Exhibit A, pp. 9, 13 and 17).

P. VOICE-OVER: PhaseOut is a real smoker's solution. You keep smoking until you're ready to cut down or quit. And because it gradually reduces the nicotine you inhale, you don't suffer the painful withdrawal symptoms associated with going cold turkey.

Graphic: PHASEOUT

- * Smoke less harmful cigarettes

- * Cut down

- * Quit for good

- * No withdrawal symptoms

(Exhibit A, pp. 9, 13 and 17).

Q. CONSUMER ENDORSER: We, we asked her, we ultimatumed her, everything we could do, we couldn't get her to stop. But she found the PhaseOut program, luckily, and she stopped, and we're extremely happy about it. (Exhibit A, p. 10).

R. VOICE-OVER: With PhaseOut, you're not hit with agonizing withdrawal symptoms. The changes are so gradual, so subtle, you won't feel any negative physical effects. (Exhibit A, p. 10).

S. FIRST CONSUMER ENDORSER: With PhaseOut, you can cut back, you don't have to quit, and you're still a lot better off than before.

SECOND CONSUMER ENDORSER: With the use of PhaseOut, the system, I could only come out ahead. I would either stop, cut down, or whatever I smoked, I would have eliminated most of the poisons, tars, nicotines, carbon monoxides. So you couldn't lose. (Exhibit A, p. 12).

T. MASON ADAMS: We've been looking at a major development in the move to end smoking, called PhaseOut, which seems to be producing some remarkable results, by giving people the tool they need to cut down or eliminate their addiction to smoking. (Exhibit A, p. 14).

U. VOICE-OVER (quoting Dr. Robert Brandstetter): "In the late 1970's the Surgeon General acknowledged that one of the most difficult aspects in the cessation of smoking was avoiding withdrawal symptoms. And it is the withdrawal symptoms that discourage people from actually stopping smoking. A method had to be devised that would gradually reduce the amount of nicotine in the blood and therefore avoid withdrawal symptoms. By using PhaseOut appropriately you can avoid withdrawal symptoms." (Exhibit A, p. 15).

INFOMERCIAL #2

V. CONSUMER ENDORSER: When I got the, um, PhaseOut product I was concerned that because of the reduced nicotine and tar and all the other poisons that I would immediately increase my intake of cigarettes. However that wasn't the case, I went, I started on phase one, um, the first day I got it, I was all excited, and then went immediately, within two days to phase two because I didn't notice a difference at all. (Exhibit B, p. 6).

W. CONSUMER ENDORSER: I thought that I would want to smoke more cigarettes but I didn't, in fact I smoked less cigarettes and I wasn't thinking about it. (Exhibit B, p. 6).

TELEVISION COMMERCIAL ("Stop Smoking Or Your Money Back")

X. VOICE-OVER: Introducing PhaseOut, the stop smoking system that actually lets you continue to smoke until you don't need to anymore.

Place your favorite brand of cigarettes inside the PhaseOut device and press down, that's all you have to do. PhaseOut actually eliminates up to 92% of tar and 89% of carbon monoxide. PhaseOut reduces up to 81% of nicotine to help break the cigarette addiction.

* * *

Yes with PhaseOut you can actually keep smoking, because smoking is less harmful until you're ready to quit. 100% guaranteed or your money back. (Exhibit C).

RADIO ADVERTISEMENT ("Advertorial")

Y. VOICE-OVER: Here's an announcement smokers everywhere have been waiting to hear: Tests at Johns Hopkins University prove a revolutionary new system called PHASEOUT eliminates up to 80% of the nicotine and carbon monoxide in any brand of cigarettes. It doesn't change the flavor or satisfaction of your favorite brand, doesn't require patches or prescriptions. . . . Smoke a pack a day? With PHASEOUT that's like cutting down to just 4 cigarettes. And as PHASEOUT gradually eliminates the nicotine it gradually eliminates your "need" for cigarettes. Now you can quit easily, without cold turkey, or continue smoking cigarettes that are far less dangerous to your health. (Exhibit D).

PRINT ADVERTISEMENT #1

Z. STOP SMOKING FOREVER -- WITH PHASEOUT® Guaranteed or your money back

NEW EASY WAY -- Clinically tested and validated by Johns Hopkins University School of Medicine to reduce up to 80% of nicotine and carbon monoxide in cigarette smoke.

- * Works automatically -- no will power needed
- * Virtually no change in taste or draw
- * Ends nicotine craving forever
- * No cravings or urges * 100% safe
- * No side effects or unpleasant withdrawal symptoms
- * Recommended by doctors and health organizations
- * Eliminates up to 80% of the tars, nicotine and poison in cigarette smoke -- so even if you decide to keep smoking, you will no longer face the same danger of cancer and heart disease (Exhibit E).

PRINT ADVERTISEMENT #2

AA. PHASEOUT

NEW Proven new device shown to reduce the dangers of cigarettes while helping even hardcore smokers quit.

PhaseOut is a scientifically designed and patented mechanical device that eliminates toxins in cigarette smoke. Tests conducted at the U.S. Testing Company

and confirmed in recent studies at the Johns Hopkins School of Medicine show that PhaseOut lets smokers gradually and easily withdraw from [sic] nicotine addiction without the stress and irritation of "cold turkey."

Simply place an unopened pack of cigarettes in PhaseOut and press. PhaseOut instantly puts tiny perforations into your filtered or unfiltered cigarette. This allows cool air to mix with the hot gases created when you smoke. The resulting condensation traps up to 90% of the tars, nicotine and other poisons, and keeps them from reaching your lungs.

Use the simple 8-week PhaseOut program (included) to stop smoking entirely, or just use PhaseOut to create safer cigarettes. Either way, your health will benefit. Try fast, simple and effective PhaseOut now. (Exhibit F).

PRINT ADVERTISEMENT #3

BB. Would you spend the price of two cartons of cigarettes to protect your unborn child?

Maternal smoking is one of the most significant causes of serious risk in pregnancy and is linked with complications including miscarriages, pre-term birth, low birth weight, and respiratory distress syndrome. If you're pregnant, you owe it yourself and your unborn child to stop smoking!

If you haven't been able to stop smoking before, the four-step PHASEOUT® SYSTEM will help win this important battle for you, your baby, and all your other family members who are affected by your second-hand smoke.

* * *

PHASEOUT prevents up to 80% of the deadly tar, nicotine, and other poisons from ever entering your body.

And the taste, flavor and draw of your cigarettes aren't changed!

* * *

With PHASEOUT you'll successfully wean yourself of smoking at your own pace, with your own timetable. (Emphasis in original) (Exhibit G).

PRINT ADVERTISEMENT #4

CC. PRACTICE SAFE SMOKING.

* * *

Clinical research by Johns Hopkins University and tests by US Testing Company prove PHASEOUT's patented microperforation system significantly reduces all harmful substances in the cigarette brand you're lighting up right now.

It won't noticeably affect the taste or draw and you will still enjoy the pleasure and satisfaction of smoking your favorite brand. But by gently and gradually eliminating up to 80% of your nicotine intake, PHASEOUT makes it easier to quit. Without cold turkey withdrawal symptoms or side effects.

* * *

Protect yourself with PHASEOUT. Because what you don't smoke can't harm you. (Exhibit H).

PROMOTIONAL FLYER

DD. PHASEOUT MAKES IT SAFER TO SMOKE, EASIER TO QUIT.
The amazing scientific breakthrough that makes cigarettes 80% less harmful.

* * *

PHASEOUT lets you smoke cigarettes that are over 80% less harmful. You still get the taste, pleasure and satisfaction without changing brands. You just don't get the nicotine, tars, carbon monoxide and other toxins. PHASEOUT's patented micro-perforations block them right out. So you should feel better almost immediately and you enjoy a healthier lifestyle, because what you don't smoke can't harm you!

* * *

Until today, the odds were against you: 9 out of 10 people who try to quit fail. No wonder. The withdrawal symptoms that come with the abrupt elimination of nicotine can be brutal.... PHASEOUT helps eliminate these withdrawal symptoms. PHASEOUT gently and gradually blocks out the nicotine, enabling your body to slowly detoxify. You're in total control. You set your own pace. For the first time, you can end your nicotine addiction completely without the symptoms of "cold turkey" withdrawal. So you will succeed . . . guaranteed!

PHASEOUT IS SCIENTIFICALLY AND CLINICALLY PROVEN

Research confirms the benefits of the PHASEOUT System. Tests conducted by Johns Hopkins University and U.S. Testing Laboratories confirm that PHASEOUT gradually eliminates over 80% of the nicotine, tars, carbon monoxide and all other tobacco toxins found in cigarette smoke. (Exhibit I).

WORLD WIDE WEB HOME PAGE

EE. PHASEOUT THE WEAN-MACHINE TO HELP YOU QUIT SMOKING

The amazing scientific breakthrough that gradually reduces NICOTINE and other unwanted substances from cigarette smoke

* * *

Depiction: Four bar graphs of shrinking cigarettes labeled "LEVELS OF TAR," "LEVELS OF NICOTINE," "LEVELS OF CARBON MONOXIDE," and "TOTAL PARTICULATE MATTER."

Illustrated are the reductions of nicotine and other toxins during each phase. (Exhibit J).

FF. STOP SMOKING THE SAME WAY YOU STARTED...GRADUALLY

Try PHASEOUT yourself, or share it with someone you love.

You may be surprised at just how easy it is to kick the habit for good.

PHASEOUT is a treatment for your cigarettes, not you. Its patented design allows you to punch tiny, undetectable holes in your cigarettes, causing condensation...a natural filtering process that traps over 80% of the toxins.

Each phase adds more perforations, further decreasing the levels of nicotine, tar and carbon monoxide. It's a safe, effective method approved by doctors and validated by Johns Hopkins University School of Medicine. (Exhibit J).

GG. PHASEOUT IS SCIENTIFICALLY PROVEN

Research confirms the effectiveness of PHASEOUT. Tests conducted by Johns Hopkins University and U.S. Testing Laboratories conclude that PHASEOUT gradually eliminates up to 80% of the nicotine, tar, carbon monoxide and total particulate matter found in cigarette smoke. (Exhibit J).

HH. "I've been a two pack a day (and more) smoker for twenty years. I have tried almost every way to quit over the past fifteen years. None of the programs could deal with my major challenge...staying quit. I am in the third phase of the (PHASEOUT) program which means I am reducing tar by 77% and the nicotine

by 66% but miraculously I am smoking less than ever. To me it is a miracle because I am trying to cut down. I want to thank everyone involved."

Donna

Akron, Ohio (Exhibit J).

7. The Johns Hopkins University research to which the advertisements attached as Exhibits A through J refer is a study that has been reported as Stitzer, Brigham and Felch, Phase-Out Filter Perforation: Effects on Human Tobacco Smoke Exposure, 41 Pharmacology, Biochemistry and Behavior 748 (1992) (hereinafter, the "Johns Hopkins study").

8. Through the means described in paragraph six, respondents have represented, expressly or by implication, that:

A. The Johns Hopkins study proves that PhaseOut significantly reduces the amount of tar, nicotine, and carbon monoxide smokers get under normal smoking conditions.

B. The Johns Hopkins study proves that PhaseOut is effective in enabling smokers to quit smoking.

C. The Johns Hopkins study proves that smokers who use PhaseOut and continue to smoke significantly reduce their risk of smoking-related health problems.

9. In truth and in fact:

A. The Johns Hopkins study does not prove that PhaseOut significantly reduces the amount of tar, nicotine, and carbon monoxide smokers get under normal smoking conditions. Among other reasons, that study was conducted under carefully controlled conditions that did not reflect how smokers actually smoke, in part because they did not take into account such behavior as compensatory smoking -- the tendency of some smokers who switch to lower yield cigarettes to smoke more cigarettes or smoke each one more intensively.

B. The Johns Hopkins study does not prove that PhaseOut is effective in enabling smokers to quit smoking.

C. The Johns Hopkins study does not prove that smokers who use PhaseOut and continue to smoke significantly reduce their risk of smoking-related health problems.

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

10. Through the means described in paragraph six, respondents have represented, expressly or by implication, that:

A. On Phase One of the PhaseOut program, smokers will reduce the amount of nicotine they get from smoking a cigarette by 26 percent, the amount of tar they get by 41 percent, and the amount of carbon monoxide they get by 58 percent.

B. On Phase Two of the PhaseOut program, smokers will reduce the amount of nicotine they get from smoking a cigarette by 47 percent, the amount of tar they get by 66 percent, and the amount of carbon monoxide they get by 73 percent.

C. On Phase Three of the PhaseOut program, smokers will reduce the amount of nicotine they get from smoking a cigarette by 64 percent, the amount of tar they get by 80 percent, and the amount of carbon monoxide they get by 83 percent.

D. On Phase Four of the PhaseOut program, smokers will reduce the amount of nicotine they get from smoking a cigarette by 81 percent, the amount of tar they get by 92 percent, and the amount of carbon monoxide they get by 89 percent.

E. PhaseOut is effective in enabling smokers to quit smoking.

F. PhaseOut significantly reduces the risk of smoking-related health problems, including lung cancer and heart disease, for smokers who continue to smoke.

G. PhaseOut significantly reduces the amount of tar, nicotine, and carbon monoxide that smokers get without changing a cigarette's taste or draw.

H. Smokers using PhaseOut will not compensate for the product's effects by increasing the number of cigarettes they smoke per day.

I. PhaseOut is effective in enabling smokers to quit smoking without withdrawal symptoms.

J. PhaseOut provides immediate health benefits, including reduced congestion, coughing, and windedness, for smokers who continue to smoke.

11. Through the means described in paragraph six, respondents have represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representations set forth in paragraph ten, at the time the representations were made.

12. In truth and in fact, respondents did not possess and rely upon a reasonable basis that substantiated the representations set forth in paragraph ten, at the time the representations were made. Therefore, the representation set forth in paragraph eleven was, and is, false or misleading.

13. Through the means described in paragraph six, respondents have represented, expressly or by implication, that testimonials from consumers appearing in the advertisements for PhaseOut reflect the typical or ordinary experience of members of the public who use the product.

14. Through the means described in paragraph six, respondents have represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representation set forth in paragraph thirteen, at the time the representation was made.

15. In truth and in fact, respondents did not possess and rely upon a reasonable basis that substantiated the representation set forth in paragraph thirteen, at the time the representation was made. Therefore, the representation set forth in paragraph fourteen was, and is, false or misleading.

16. 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.

Complaint

123 F.T.C.

EXHIBIT A

PHASEOUT: THE SMOKER'S SOLUTION

EXHIBIT A

PHASEOUT: THE SMOKER'S SOLUTION

VOICE-
OVER:
(male)

This program length advertisement is brought to you by the Regal Group, Incorporated.

Regal logo with superimposed text: This program length advertisement is brought to you by Regal Group, Inc.

VOICE-
OVER:
(male)

Do you need an inexpensive, painless and easy solution to your smoking problem? If you want a healthier lifestyle without sacrificing anything, please pay close attention to the following information about Phaseout, the smoker's solution.

Pictures of hands holding cigarettes, an ashtray filled with lit cigarettes. The words 'Inexpensive,' 'Painless,' and 'Easy' move across the screen.

Graphic: PHASEOUT
The
Smoker's
Solution

MASON
ADAMS:
(V/O)

You're going to see some unprecedented findings and hear some remarkable stories about a breakthrough device that can help you phase cigarettes out of your life without expensive therapies, patches or drugs.

Video montage of testimonialists, people on the street.

Superimposed text:
This program is a paid advertisement for PhaseOut.

MASON
ADAMS:

I'm Mason Adams and I'm a pretty good example of what I've just been talking about. Twenty years ago, I was finally able to quit smoking for good. But I remember all too vividly what an agonizing struggle it was. So when I was asked to be the host of this program, I jumped at the chance. Its name is Phaseout and its effectiveness in reducing the most harmful components of cigarette smoke has been scientifically confirmed in research conducted at such prestigious institutions as the Johns Hopkins University School of Medicine. The idea is this: Phaseout accurately applies microfine perforations to the filter of each cigarette. This simple perforation has a remarkable effect. It creates an additional filter within the existing filter but it doesn't change the taste or the draw of your cigarette. As warm air is drawn through the cigarette, cool air is drawn in through the perforation. The hot air hits the cold air and a trace of condensation forms. That's the additional filter which traps more of the toxins before you can inhale them into your body.

Picture of Phaseout device, with its accompanying box

Graphic: image of Phaseout device punching pack of cigarettes

Graphic: representation of cigarette with perforation; diagram shows direction of air movement, condensation

Complaint

EXHIBIT A

CONSUMER
ENDORSER
A: Because it's done so gradually, I didn't miss anything going from phase to phase, I didn't feel I was being deprived of anything.

CONSUMER
ENDORSER
B: There's no point not to use it if you're a smoker. It's not as if you can tell a difference in your cigarette. It's not as if you have to switch to a disgusting tasting cigarette with lower nicotine. It's the same thing that you've always done, only it's less harmful.

Consumer
Endorser
C: Phaseout is good, it's gradual, you're not even aware that it's working. Then all of a sudden, you realize you're smoking a lot less.

MASON
ADAMS: If you're like most people, you'll start feeling better right away, while you're preparing to quit. Indeed, Phaseout's impact is so definite, that even if you don't quit, you'll be significantly reducing the harmful effects of every cigarette.

CONSUMER
ENDORSER
D: At least you're eliminating a lot of the irritants that are caused by the tars and nicotines. And you start feeling better, I think, almost from the beginning.

CONSUMER
ENDORSER
E: I'm not as winded. I just feel, even though I'm still smoking, yes, I feel a little bit healthier.

CONSUMER
ENDORSER
F: I'm doing something good for me with the Phaseout.

MASON
ADAMS: The Phaseout program is receiving some very interesting attention in the medical community. With me is pulmonary specialist Dr. Robert Brandstetter, Associate Director of Medicine at New Rochelle Hospital Medical Center, and distinguished cardiologist Dr. Arnold Benson, former Chief of Medical Services to the Pentagon.

Dr. Benson, as a cardiologist, what stimulated your professional interest in Phaseout?

Superimposed text:
Dr. Robert Brandstetter
Pulmonary Specialist
Associate Director of Medicine
New Rochelle Hospital Medical
Center

Dr. Arnold Benson
Former Chief, Medical Services
The Pentagon

Complaint

123 F.T.C.

EXHIBIT A

DR. ARNOLD BENSON: Well, here I was, a physician and a cardiologist and a smoker. And I was embarrassed. I have taken care of many sick people, who I had to recommend that they stop immediately the habit of smoking, and yet they would walk into my office and the smell of smoke was ever present. I was afraid of stopping smoking, I didn't want to go through the withdrawal phase.

ADAMS: Now, were you a very heavy smoker?

DR. BENSON: I was a heavy smoker. I smoked for forty years exactly, and smoked not less than two packages of cigarettes a day.

ADAMS: And you attribute your quitting to Phaseout?

DR. BENSON: I stopped smoking because of Phaseout. Phaseout did it gradually for me.

ADAMS: And you're still not smoking today?

DR. BENSON: Well, it's two-and-a-half years since I quit. Forty years of smoking and I have gone two-and-a-half-years without smoking and I don't miss it.

ADAMS: Doctor, I understand that there's a medical study which confirms that Phaseout reduces the amount of nicotine in a regular cigarette.

DR. ROBERT BRAND-STETTER: At Johns Hopkins University, volunteers who smoked for a considerable period of time were enrolled in a study which demonstrated that Phaseout actually reduced the amount of nicotine in their blood over the period of time of the study.

Depiction:
Front cover of journal
Pharmacology, Biochemistry and Behavior

Graphic:
The Johns Hopkins University School of Medicine

"Smoking exposure reductions of 30% to 80% were obtained for both nicotine and carbon monoxide."

ADAMS: So, the idea is then that if you reduce the amount of addictive nicotine, you'll thereby be reducing the addiction. Is that correct?

395

Complaint

EXHIBIT A

DR.
BRAND-
STETTER

Exactly. And at the same time, you'll be actually reducing the possibility of withdrawal symptoms. And it is these withdrawal symptoms which cause people not to be able to stop smoking.

VOICE-
OVER:
(male)

Let's face it, one of the things that drives smokers mad is being lectured about it, particularly from people they don't even know.

Video montage of people on the street

CONSUMER
ENDORSER
G:

I live in California and people in California really hate smoking.

CONSUMER
ENDORSER
H:

Even my 13 grandchildren try to stop me.

Voice:

What do they do?

H:

Take my cigarettes and throw them away.

CONSUMER
ENDORSER
I:

A lot of my friends are nonsmokers and I have to not smoke in the car.

VOICE-
OVER:
(male)

Nonsmokers don't know how physically and psychologically difficult it is to stop and how many smokers have tried and failed using all kinds of methods.

CONSUMER
ENDORSER
J:

It's not like I started and I don't want to quit. I really do, would like to quit. It's just, it's very hard, it's very addicting.

CONSUMER
ENDORSER
K:

All efforts have failed.

CONSUMER
ENDORSER
L:

I had almost kind of resigned myself to the fact that I was going to be a smoker until the day that I died. And I knew that if I continued that that my life would be shorter, and you see all the warnings and hear things and know of people who actually have lost their, shortened their lives by doing this stupid thing. And still you don't stop.

Complaint

123 F.T.C.

EXHIBIT A

VOICE-
OVER:
(male)

We're here on the streets of New York City to talk to smokers about Phaseout, the smoker's solution. It works without having to change your cigarette brand, without changing the taste or enjoyment, and, best of all, it works without patches, painful clips or expensive counselling.

Words 'New York City' move across screen, over pictures of people on the street

Graphic: PHASEOUT
The
Smoker's
Solution

Graphic: PHASEOUT
• Without Changing Brands
• Without Changing Taste
• Without Patches, Clips or
Counselling

CONSUMER
ENDORSER
M:

I don't feel any different

CONSUMER
ENDORSER
N:

Well, it doesn't taste any different.

K:

I've been smoking these for about two or three years, it tastes like the same thing.

CONSUMER
ENDORSER
O:

Yeah, you couldn't even tell, I mean it tastes exactly the same.

CONSUMER
ENDORSER
P:

It's hard to believe.

Voice:

Really? Why is it hard to believe?

CONSUMER
ENDORSER
Q:

Can't tell.

Voice:

You can't tell at all?

Q:

You can't.

CONSUMER
ENDORSER
R:

Tastes like a Marlboro.

Voice:

What if I told you that in that one drag, in the one thing we just did, you cut down 30% on the nicotine and some of the other toxins that are in the cigarette?

Superimposed text:
The Complete Program
Reduces Nicotine by 81%

M:

Really? Well, I would like to see proof, some kind of data showing that. And if so, then I would buy it and I would punch every pack.

395

Complaint

EXHIBIT A

VOICE-
OVER:
(male)

There is medical evidence that Phaseout lets you do something good for yourself. The April 1992 issue of Pharmacology, Biochemistry and Behavior published results of a research study conducted at the Johns Hopkins University School of Medicine. This prestigious journal reports that Phaseout significantly reduced human exposure to tobacco smoke constituents. Reductions of 30% to 80% were observed for both nicotine and carbon monoxide.

The report concluded that the use of the Phaseout device could be particularly useful as a weaning method prior to smoking cessation.

More favorable comments come from Jack E. Henningfield, Ph.D., of the National Institute on Drug Abuse. "The Johns Hopkins study is exciting because it showed that by using the PhaseOut device with regular cigarettes, the volunteers obtained progressively lower amounts of nicotine and carbon monoxide. This suggests that the PhaseOut device might provide a practical and useful means for smokers to wean themselves from nicotine and their addiction to tobacco."

VOICE-
OVER:
(male)

That's proof that Phaseout can work for you, whether you want to smoke less harmful cigarettes or whether you want to stop for good.

MASON
ADAMS:
(V/O)

If you follow the Phaseout plan, over a period of several weeks you will gradually reduce the levels of damaging substances in every cigarette you smoke.

Depiction: Cover of journal Pharmacology, Biochemistry and Behavior

Depiction: Journal is opened, pages turned

Depiction: Close-up of title page of journal article

Superimposed text (full screen):
"significantly reduced human exposure to tobacco smoke constituents. Reductions of 30% to 80% were observed for both nicotine and carbon monoxide."

Superimposed text (full screen):
"The use of the PhaseOut device . . . could be particularly useful as a weaning method prior to smoking cessation."

Superimposed text (full screen):
Jack E. Henningfield, Ph.D., Chief
Clinical Pharmacology Branch
Research Branch
National Institute on Drug Abuse
"The Johns Hopkins study. . . is exciting because it showed that by using the PhaseOut device with regular cigarettes, the volunteers obtained progressively lower amounts of nicotine and carbon monoxide."

Superimposed text (full screen):
Jack E. Henningfield, Ph.D., Chief
Clinical Pharmacology Branch
Research Branch
National Institute on Drug Abuse
"This suggests that the PhaseOut device might provide a practical and useful means for smokers to wean themselves from nicotine and their addiction to tobacco."

Depiction: Clouds moving across sky

Depiction: PhaseOut device with its accompanying box

Superimposed text:
Smoke Less
Or
Stop For Good

Graphic: Three cigarettes, labelled 'Nicotine,' 'Tar' and 'Carbon Monoxide,' each shrinking in size

Graphic: Three cigarettes shown

Complaint

123 F.T.C.

EXHIBIT A

Phaseout is a four-step program where you control your progress.

Here's how it works. Take any standard size pack of cigarettes, hard or soft, kings or 100's, put it into the Phaseout device and press down. Microfine, almost invisible perforations now create a condensation screen that cuts nicotine levels by 26%, the levels of tar by almost 41%, and the levels of toxic gasses like carbon monoxide by 58%.

Phase two reduces nicotine nearly in half and further reduces the levels of tar and toxic gasses.

Phase three cuts levels of nicotine by nearly 64%, tar by 80%, and carbon monoxide by 83%.

By the time you reach phase four, your nicotine consumption is reduced by nearly 81%. You're also taking in 92% less tar and 89% less toxic gasses.

And it's easy. It's completely natural, no expensive prescriptions, no attachments, no trading one drug for another. Best of all, you continue to enjoy the taste and draw of your own cigarette brand. By waiting at least two weeks between phases, you gradually reduce your body's need for nicotine without the agony of going cold turkey. You can stay on each phase as long as you like until you're ready to

shrinking and labelled as follows:

Results after Phase four
 Nicotine 81%
 Tar 92%
 Carbon Monoxide 89%

Depiction: Man at desk punching a pack of cigarettes with Phaseout

Graphic: cigarette with perforation

Graphic: Three cigarettes shown shrinking and labelled as follows:

Results after Phase one
 Nicotine 26%
 Tar 41%
 Carbon Monoxide 58%

Graphic: Three cigarettes shown shrinking and labelled as follows:

Results after Phase two
 Nicotine 47%
 Tar 66%
 Carbon Monoxide 73%

Graphic: Three cigarettes shown shrinking and labelled as follows:

Results after Phase three
 Nicotine 64%
 Tar 80%
 Carbon Monoxide 83%

Graphic: Three cigarettes shown shrinking and labelled as follows:

Results after Phase four
 Nicotine 81%
 Tar 92%
 Carbon Monoxide 89%

Depiction: Various endusers smoking cigarettes

395

Complaint

EXHIBIT A

move on. You're in control. You know that with each phase, you're doing more good for your health. And when you get to phase four, you can quit whenever you're ready. Phaseout has helped many smokers quit cigarettes for good and thousands of others to smoke less damaging cigarettes.

Pictures of cityscape with following phrases moving across the screen: 'The Time is Now' 'To Quit' 'Or Smoke Less.' Followed by picture of clouds in sky, with words 'The Answer Is,' and then a picture of the Phaseout device with its accompanying box

CONSUMER
ENDORSER
S:

You wake up in the morning, you're not as congested, you don't have to wait for your chest to clear. I can run up and down the stairs and I can go to the park and I can play ball and I can, you know, run around with the kids and not be winded and not have to sit down and say "Mommy's tired. I can't do this."

BOBBY
RYDELL:

Hi, I'm Bobby Rydell and I want to talk to you about Phaseout because I know it really works. It works for me, and I'll tell you how I discovered Phaseout. I was working on a television show for Regal, and as I was lighting up another cigarette, I turned to a stage hand and said, "Boy, would I really love to stop smoking." The stage hand said to me, "I was working on another show for Regal a while ago called 'Phaseout.' It's a stop smoking device. I took it home and it worked. As a matter of fact, it worked so well, I'm a nonsmoker now. I really don't need it anymore. Why don't I give it to you, Bobby, and you try it. He showed me how to use it, and all I can say is, it works. I can't thank that stage hand and Phaseout enough. I've gone from over two-and-a-half packs a day to a pack a day, and I know I'm on my way to quitting because Phaseout makes it easy. And I'll tell you, I've been smoking for over 30 years, and I've tried everything to quit smoking -- clinics, hypnosis, nicotine gum -- let me tell you, nothing's worked for me except

Complaint

123 F.T.C.

EXHIBIT A

Phaseout. Phaseout can change your life, but it's up to you. You just gotta take that first step, you gotta make that call.

Graphic: PHASEOUT
The
Smoker's
Solution

COMMERCIAL:

VOICE-
OVER:
(male)

Nobody has to tell you the damage smoking causes. But many people still enjoy smoking. And even if you want to want to cut back or quit, most methods are annoying, painful, or expensive. But now, there's Phaseout, a breakthrough device that drastically reduces the harmful effects of cigarette smoking without changing the taste or the pleasure. You don't have to change brands to get all the benefits of reduced nicotine, tar, and other harmful substances. Phaseout works on any standard pack. With a simple punch, it forms a condensation filter within your cigarette, which traps more harmful substances before they ever reach your body. By the end of the program, you're smoking 81% less nicotine, 92% less tar, and 89% less toxic gasses.

Phaseout is a real smoker's solution. You keep smoking until you're ready to cut down or quit. And because it gradually reduces the nicotine you inhale, you don't suffer the painful withdrawal symptoms associated with going cold turkey.

With many other methods, you're simply trading one drug for another, but with Phaseout, you're allowing your body to slowly become more comfortable with less and less nicotine, without drugs.

Best of all, Phaseout lets you progress at your own pace. You decide when to move from one phase to the next. For one low cost, you get all the benefits and none of the pain or hassles that go with quitting. You simply can't lose with Phaseout. Whether you

Pictures of hands holding cigarettes, ashtray filled with smoking cigarettes

Superimposed text:
This program is a paid advertisement for Phaseout.

Depiction: Woman at desk punching a pack of cigarettes with Phaseout

Pictures of various endorsers smoking

Graphic: Phaseout device punching a pack of cigarettes

Graphic: Cigarette with created filter

Graphic: Three cigarettes shown shrinking and labelled as follows:

Nicotine	81%
Tar	92%
Carbon Monoxide	89%

Graphic: PHASEOUT

- * Smoke less harmful cigarettes
- * Cut down
- * Quit for good
- * No withdrawal symptoms

Graphic: PHASEOUT

- * No invasive drugs
- * No patches or gum

Graphic: PHASEOUT

- * Go at your own pace

Depiction of Phaseout device w/accompanying box, framed by following ordering information:

\$39.95

395

Complaint

EXHIBIT A

quit or continue to smoke less
damaging cigarettes, Phaseout is
the only product you'll ever need.

It comes with a money-back
guarantee, so you risk absolutely
nothing to give Phaseout a try.

Join thousands of other smokers
who have started on the road to
better health with Phaseout. It's
safe, effective, easy to use, and
scientifically proven. It's the
discovery smokers have been
waiting for.

Give yourself or someone you love
the gift of life. Order Phaseout
today. Have your credit card
ready and call the toll-free
number now. Or send your check or
money order to the address on your
screen. But for fastest delivery,
call the toll-free number now.
Sorry, no COD's.

END COMMERCIAL

CONSUMER
ENDORSER
T:
(with
wife &
kids)

VOICE-
OVER:
(female)

We, we asked her, we ultimatumed
her, everything we could do, we
couldn't get her to stop. But she
found the Phaseout program,
luckily, and she stopped, and
we're extremely happy about it.

Phaseout lets you control your own
progress. Stay on each phase for
the recommended two weeks, or
until you're ready to go on to the
next phase. With each phase,
you're gradually reducing your
physical need to smoke. With
Phaseout, you're not hit with
agonizing withdrawal symptoms.
The changes are so gradual, so
subtle, you won't feel any
negative physical effects.

D:
If it didn't work and I didn't
really like what it was doing for
me, I wouldn't continue to use it.

Plus \$6 S&H
Add sales tax
Send check or
money order to:
PhaseOut
P.O. Box 10441
Waterbury, CT
06725-0441

30 Day Money Back Guarantee

Superimposed text:
If after 30 days, you are not
completely satisfied with your
results, return PHASEOUT for a
full refund of your payment

Graphic (framed by ordering info):
PHASEOUT

- Safe
- Effective
- Easy to Use
- Scientifically Proven

Depiction: Phaseout device with
accompanying box (framed by
ordering information)

Photo montage, including graphic
of three cigarettes shrinking.

The following words move across
the screen:
'NO WITHDRAWAL'
'GRADUAL CHANGES'

Photo montage, with following

Complaint

123 F.T.C.

EXHIBIT A

VOICE-
OVER:
(female)

Phaseout's effects are immediate. Your progress begins when you punch your very first pack. With Phaseout, you're not trading one dependency for another. You won't need to have to rely on gums, filters, or other crutches. Phaseout contains no drugs or chemicals, and you don't need a doctor's prescription to get it.

words moving across the screen:
'IMMEDIATE EFFECTS'
'NO TRADING DEPENDENCIES'
'DRUG FREE'

CONSUMER
ENDORSER
U:

I have it right with me, and as soon as I buy the cigarettes, I punch them, and that's it. [Where as?] any other method of quitting, like when I got the clips in my ears, I got infections.

VOICE-
OVER:
(female)

With Phaseout, there are no uncomfortable, ugly patches on your body. No annoying computers beeping at you. No need to keep replacing filters. Just put your cigarette pack in the Phaseout device and punch it in seconds. And, finally, Phaseout saves you money. You buy it once and use it forever. You don't have to pay for a visit to a doctor or for expensive prescriptions or refills. Phaseout pays for itself as you feel the need to smoke fewer and fewer cigarettes.

Photo montage, against cityscape backdrop.

The following words move across the screen:
'NO PATCHES...COMPUTERS...FILTERS'
'JUST PUNCH IT'
'SAVES MONEY'
'NO PRESCRIPTIONS'

VOICE-
OVER:
(male)

It seems like torture for a smoker not being able to smoke on airplanes, long meetings, or any nonsmoking environment. Phaseout can help you get through those times.

The following words move across a backdrop of clouds floating through the sky:
'Airplanes,' 'Restaurants,' 'The Office,' 'Car Pools,' 'Hospitals,' 'No Smoking,' 'Long Meetings,' 'GETTING THROUGH THE DAY'

CONSUMER
ENDORSER
V:

With the Phaseout, as I got through the program, I found less and less, if I had to work through my break, I wouldn't miss the cigarette.

L:

You know, I figured, OK, I can wait three, four, five hours for my next cigarette, and I thought, my God, what am I doing, I'm waiting five hours for a cigarette. It was amazing.

CONSUMER
ENDORSER
W:

There wasn't that starvation feeling and that deprived feeling, because the Phaseout program works so slowly, and it weans you is what it does, it weans you. It's not, you know, cold turkey.

Complaint

EXHIBIT A

VOICE-
OVER:
(male) It's unanimous. Phaseout offers smokers a real solution. It doesn't change the taste or draw of your cigarette.

N: Well, it doesn't taste any different.

O: Yeah, you couldn't even tell. I mean it tastes exactly the same.

K: I've been smoking these for about two or three years, it tastes like the same thing.

VOICE-
OVER:
(male) People love the idea of gradually getting control over cigarettes, because it removes the fear of withdrawal symptoms. And they know that with the Phaseout program, they're smoking less damaging cigarettes.

L: You're still doing yourself a tremendous favor, even if you do continue to smoke.

E: With Phaseout, you can cut back, you don't have to quit, and you're still a lot better off than before.

A: With the use of Phaseout, the system, I could only come out ahead. I would either stop, cut down, or whatever I smoked, I would have eliminated most of the poisons, tars, nicotines, carbon monoxides. So you couldn't lose.

CONSUMER
ENDORSER
X: It doesn't need much to do it. And you don't feel like you failed in any way, you never feel like you failed.

VOICE-
OVER:
(male) We asked smokers who tried Phaseout just once how much they'd pay to own this breakthrough device.

CONSUMER
ENDORSER
Y: I mean, there's no price on this, it's gonna cut your bad habits. So I'd pay up to, you know, hundreds of dollars.

CONSUMER
ENDORSER
Z: I would pay \$95 for it.

R: Fifty to a hundred dollars.

Complaint

123 F.T.C.

EXHIBIT A

K: Any amount of money would be worth it.

L: I would have paid anything, if I knew then what I know now, I would have paid almost anything. Because when your health is failing, all the money in the world doesn't bring it back.

COMMERCIAL:

VOICE-
OVER:
(male)

Nobody has to tell you the damage smoking causes. But many people still enjoy smoking. And even if you want to want to cut back or quit, most methods are annoying, painful, or expensive. But now, there's Phaseout, a breakthrough device that drastically reduces the harmful effects of cigarette smoking without changing the taste or the pleasure. You don't have to change brands to get all the benefits of reduced nicotine, tar, and other harmful substances. Phaseout works on any standard pack. With a simple punch, it forms a condensation filter within your cigarette, which traps more harmful substances before they ever reach your body. By the end of the program, you're smoking 81% less nicotine, 92% less tar, and 89% less toxic gasses.

Phaseout is a real smoker's solution. You keep smoking until you're ready to cut down or quit. And because it gradually reduces the nicotine you inhale, you don't suffer the painful withdrawal symptoms associated with going cold turkey.

With many other methods, you're simply trading one drug for another, but with Phaseout, you're allowing your body to slowly become more comfortable with less and less nicotine, without drugs.

Best of all, Phaseout lets you progress at your own pace. You decide when to move from one phase to the next. For one low cost, you get all the benefits and none of the pain or hassles that go

Pictures of hands holding cigarettes, ashtray filled with smoking cigarettes

*Superimposed text:
This program is a paid advertisement for Phaseout.*

Depiction: Woman at desk punching a pack of cigarettes with Phaseout

Pictures of various endorsers smoking

Graphic: Phaseout device punching a pack of cigarettes

Graphic: Cigarette with created filter

Graphic: Three cigarettes shown shrinking and labelled as follows:

Nicotine	81%
Tar	92%
Carbon Monoxide	89%

Graphic:

PHASEOUT

- Smoke less harmful cigarettes
- Cut down
- Quit for good
- No withdrawal symptoms

Graphic:

PHASEOUT

- No invasive drugs
- No patches or gum

Graphic:

PHASEOUT

- Go at your own pace

Depiction of Phaseout device w/accompanying box, framed by following ordering information:

395

Complaint

EXHIBIT A

with quitting. You simply can't lose with Phaseout. Whether you quit or continue to smoke less damaging cigarettes, Phaseout is the only product you'll ever need.

It comes with a money-back guarantee, so you risk absolutely nothing to give Phaseout a try.

Join thousands of other smokers who have started on the road to better health with Phaseout. It's safe, effective, easy to use, and scientifically proven. It's the discovery smokers have been waiting for.

Give yourself or someone you love the gift of life. Order Phaseout today. Have your credit card ready and call the toll-free number now. Or send your check or money order to the address on your screen. But for fastest delivery, call the toll-free number now. Sorry, no COD's.

END COMMERCIAL

MASON
ADAMS:

We've been looking at a major development in the move to end smoking, called Phaseout, which seems to be producing some remarkable results, by giving people the tool they need to cut down or eliminate their addiction to smoking. And its effectiveness in reducing the most harmful components of cigarette smoke is receiving some very interesting attention in the medical community.

VOICE-
OVER:
(male)

Favorable comments from the medical community include these: "The Johns Hopkins study is exciting because it showed that by using the PhaseOut device with regular cigarettes, the volunteers obtained progressively lower

\$39.95
Plus \$6 S&H
Add sales tax
Send check or
money order to:
PhaseOut
P.O. Box 10441
Waterbury, CT
06725-0441

10 Day Money Back Guarantee

Superimposed text:
If after 30 days, you are not completely satisfied with your results, return PHASEOUT for a full refund of your payment

Graphic (framed by ordering info):

PHASEOUT
• Safe
• Effective
• Easy to Use
• Scientifically Proven

Depiction: Phaseout device with accompanying box (framed by ordering information)

Depiction: ashtray filled with smoking cigarettes

Depiction: close-up of title page of journal article

Superimposed text (full screen):

Jack E. Henningfield, Ph.D. Chief
Clinical Pharmacology Branch
Research Branch
National Institute on Drug Abuse
"The Johns Hopkins study... is exciting because it showed that by using the PhaseOut device with regular cigarettes, the volunteers obtained progressively lower

Complaint

123 F.T.C.

EXHIBIT A

amounts of nicotine and carbon monoxide. This suggests that the PhaseOut device might provide a practical and useful means for smokers to wean themselves from nicotine and their addiction to tobacco."

"In the late 1970's the Surgeon General acknowledged that one of the most difficult aspects in the cessation of smoking was avoiding withdrawal symptoms. And it is the withdrawal symptoms that discourage people from actually stopping smoking. A method had to be devised that would gradually reduce the amount of nicotine in the blood and therefore avoid withdrawal symptoms. By using Phaseout appropriately you can avoid withdrawal symptoms."

MASON
ADAMS:

Doctors, there's no doubt that society is determined to put an end to smoking. We know that it's bad for us, we know that it has to stop. People are quitting. But there are still so many people out there who just haven't been able to quit yet, as much as they may want to. It seems that the will alone just isn't enough to do it. Research tells us that many of them are failing because of withdrawal, because their bodies can't shake the need to keep smoking. Why exactly is that.

amounts of nicotine and carbon monoxide.

Superimposed text (full screen):
Jack E. Henningfield, Ph.D., Chief
Clinical Pharmacology Branch
Research Branch

National Institute on Drug Abuse
This suggests that the PhaseOut device might provide a practical and useful means for smokers to wean themselves from nicotine and their addiction to tobacco."

Superimposed text (full screen, over depiction of document):
Dr. Robert Brandstetter
Pulmonary Specialist

Associate Director of Medicine
New Rochelle Hospital Medical Center
"In the late 1970's the Surgeon General acknowledged that one of the most difficult aspects in the cessation of smoking was avoiding withdrawal symptoms. And it is the withdrawal symptoms that discourage people from actually stopping smoking."

Superimposed text (full screen, over depiction of document):
Dr. Robert Brandstetter
Pulmonary Specialist
Associate Director of Medicine
New Rochelle Hospital Medical Center
A method has to be devised that would gradually reduce the amount of nicotine in the blood and therefore avoid withdrawal symptoms. By using Phaseout appropriately. . . you can avoid withdrawal symptoms."

Superimposed text:
Dr. Arnold Benson
Former Chief, Medical Services
The Pentagon

Complaint

EXHIBIT A

DR.
BENSON: I had trepidation about stopping smoking for many years. In fact, I would've enjoyed not smoking, but I feared it because I was so addicted to the nicotine. But with Phaseout, I was able to continue smoking. I gradually phased out of the nicotine habit each time I added perforations to my cigarettes. I was lessening my nicotine addiction nicotine while I continued to smoke, until finally I no longer wanted to smoke.

Bobby
Rydell: In today's show, you heard a variety of testimonials from people whose lives have been changed by Phaseout. Your life can be changed by Phaseout, too. Plus, you'll be thrilled by the amount of money you can save with Phaseout. Compared to the other stop-smoking programs, it's the least expensive method. But more importantly, it works.

CONSUMER
ENDORSER
AA: My wife was a smoker, but she quit the hard way. She went cold turkey. I took the easy road, the Phaseout road.

CONSUMER
ENDORSER
BB: Phaseout is something that everybody should try, because it works and it's easy, and I wouldn't say it if I didn't mean it.

L: It wasn't as hard as I thought it was going to be, and nobody was more surprised than me. I couldn't believe it.

CONSUMER
ENDORSER
CC: Try Phaseout, because you're not losing either way. If you try it and you stay on phase one for the rest of your life, you're still making an improvement. If you try it and you go to phase two and three and you're still smoking the same number of cigarettes that you smoked without Phaseout, you're making an improvement for yourself. And you might surprise yourself. You know, if you do it long enough, you may get to four, and like magic, just put it down and stop. And that's great.

MASON
ADAMS: I urge you to try Phaseout. For you or someone you love, this may be the gift of life. This is

Superimposed text:
(c) 1992 Regal Group, Inc.
95 Scovill Street, Waterbury CT
06706

Complaint

123 F.T.C.

EXHIBIT A

Mason Adams. Thank you for joining us. And to all of you, good health.

L: I would have paid anything. If I knew then what I know now, I would have paid almost anything. Because when your health is failing, all the money in the world doesn't bring it back.

COMMERCIAL:

VOICE-
OVER:
(male)

Nobody has to tell you the damage smoking causes. But many people still enjoy smoking. And even if you want to want to cut back or quit, most methods are annoying, painful, or expensive. But now, there's Phaseout, a breakthrough device that drastically reduces the harmful effects of cigarette smoking without changing the taste or the pleasure. You don't have to change brands to get all the benefits of reduced nicotine, tar, and other harmful substances. Phaseout works on any standard pack. With a simple punch, it forms a condensation filter within your cigarette, which traps more harmful substances before they ever reach your body. By the end of the program, you're smoking 81% less nicotine, 92% less tar, and 89% less toxic gasses.

Phaseout is a real smoker's solution. You keep smoking until you're ready to cut down or quit. And because it gradually reduces the nicotine you inhale, you don't suffer the painful withdrawal symptoms associated with going cold turkey.

With many other methods, you're simply trading one drug for another, but with Phaseout, you're allowing your body to slowly become more comfortable with less and less nicotine, without drugs.

Best of all, Phaseout lets you progress at your own pace. You decide when to move from one phase to the next. For one low cost,

Pictures of hands holding cigarettes, ashtray filled with smoking cigarettes

Superimposed text:
This program is a paid advertisement for Phaseout.

Depiction: Woman at desk punching a pack of cigarettes with Phaseout

Pictures of various endorsers smoking

Graphic: Phaseout device punching a pack of cigarettes

Graphic: Cigarette with created filter

Graphic: Three cigarettes shown shrinking and labelled as follows:

Nicotine	81%
Tar	92%
Carbon Monoxide	89%

Graphic:

PHASEOUT

- Smoke less harmful cigarettes
- Cut down
- Quit for good
- No withdrawal symptoms

Graphic:

PHASEOUT

- No invasive drugs
- No patches or gum

Graphic:

PHASEOUT

- Go at your own pace

Depiction of Phaseout device w/accompanying box, framed by following ordering information:

\$39.95
Plus \$6 S&H
Add sales tax

Complaint

EXHIBIT A

you get all the benefits and none of the pain or hassles that go with quitting. You simply can't lose with Phaseout. Whether you quit or continue to smoke less damaging cigarettes, Phaseout is the only product you'll ever need.

Send check or money order to:
PhaseOut
P.O. Box 10441
Waterbury, CT
06725-0441

30 Day Money Back Guarantee

Superimposed text:
If after 30 days, you are not completely satisfied with your results, return PHASEOUT for a full refund of your payment

Graphic (framed by ordering info)

- PHASEOUT
- Safe
 - Effective
 - Easy to Use
 - Scientifically Proven

Depiction: Phaseout device with accompanying box (framed by ordering information)

It comes with a money-back guarantee, so you risk absolutely nothing to give Phaseout a try.

Join thousands of other smokers who have started on the road to better health with Phaseout. It's safe, effective, easy to use, and scientifically proven. It's the discovery smokers have been waiting for.

Give yourself or someone you love the gift of life. Order Phaseout today. Have your credit card ready and call the toll-free number now. Or send your check or money order to the address on your screen. But for fastest delivery, call the toll-free number now. Sorry, no COD's.

Ordering information remains on the screen

END COMMERCIAL

A: I didn't miss anything going from phase to phase, I didn't feel I was being deprived of anything.

B: There's no point not to use it if you're a smoker. It's not as if you can tell a difference in your cigarette. It's not as if you have to switch to a disgusting tasting cigarette with lower nicotine. It's the same thing that you've always done, only it's less harmful.

C: Phaseout is good, it's gradual, you're not even aware that it's working. Then all of a sudden, you realize you're smoking a lot less.

Depiction: Telephone operators, warehouse, delivery person

Complaint

123 F.T.C.

EXHIBIT A

VOICE-
OVER:
(female)

When you call our toll-free number, you get fast, courteous service. We'll process your order quickly and ship it directly from our warehouse to your door. What's more, we stand behind all our products. Our customer service representatives can answer questions about any Regal Shop product. And naturally all our products are completely guaranteed, so you can order with confidence.

*Graphic: Regal logo
Superimposed text: This program-length advertisement has been brought to you by Regal Group, Inc.*

VOICE-
OVER:
(male)

This program-length advertisement has been brought to you by Regal Group, Incorporated.

EXHIBIT B

EXHIBIT B

"PhaseOut: The Smokers' Solution"

GRAPHIC: Blue screen: "PhaseOut: The Smokers' Solution"

Depiction: Anonymous people smoking

Superimposed text:

Disclaimer at bottom of screen that this is paid ad.

Voice-Over:

Like most smokers you're probably sick of hearing about the dangers of cigarettes, but now there's PhaseOut, a simple device that lets you keep smoking your old brand while it reduces the nicotine and other toxins you inhale by as much as 90%. Without changing the taste or pleasure of your cigarettes, PhaseOut gradually decreases their damaging effects without the expense, difficulty or side effects of other methods.

Superimposed text:

This program is a paid advertisement. All claims and representations made in this program-length advertisement are the sole responsibility of the sponsor.

Mason Adams:

I'm Mason Adams. And I'm a pretty good example of what I've just been talking about. Twenty years ago I was finally able to quit smoking for good. But I remember all too vividly what an agonizing struggle it was, so when I was asked to be the host of this program I jumped at the chance.

You're going to see some unprecedented findings and hear some remarkable stories about a breakthrough device that can help you phase cigarettes out of your life without expensive therapies, patches, or drugs.

Its name is PhaseOut and its effectiveness in reducing the most harmful components of cigarette smoke has been scientifically confirmed in research conducted at such prestigious institutions as the Johns Hopkins University School of Medicine.

GRAPHIC: Shows how to use product, punching down on pack of cigarettes. Then illustrated images of perforations and inflow and outflow of warm and cold air and toxins.

The idea is this, PhaseOut accurately applies micro fine perforations to the filter of each cigarette. This simple perforation has a remarkable effect, it creates an additional filter within the existing filter but it doesn't change the taste or the draw of your cigarette. As warm air is drawn through the cigarette, cool air is drawn in through the perforation, the hot air hits the cold air and a trace of condensation forms, that's the additional filter which traps more of the toxins before you can inhale them into your body.

There's no point not to use it if you're a smoker, it's not as if you can tell the difference in your cigarette, it's not as if you have to switch to a disgusting tasting cigarette with lower nicotine. It's the same thing you've always done, only it's less harmful.

Complaint

123 F.T.C.

EXHIBIT B

B: PhaseOut is good, it's gradual, you're not even aware that it's working and all the sudden you realize you're smoking a lot less.

C: Because it's done so gradually, I didn't miss anything going from phase to phase, I didn't feel I was being deprived of anything.

D: I was still able to smoke and get the satisfaction from, the psychological effect, or what ever, from doing something with my hands, but when I stopped to think about it, I thought I'm doing something for myself. I'm putting less toxins into my body and all it takes is two seconds to punch some holes in my cigarettes.

Adams: If you're like most people, you'll start feeling better right away while you're preparing to quit. Indeed, PhaseOut's impact is so definite that even if you don't quit, you'll be significantly reducing the harmful effects of every cigarette.

E: Makes me feel that I'm doing something good for me, with PhaseOut

F: At least you're eliminating a lot of the irritants that are caused by the tars and nicotine and you start feeling better, I think almost from the beginning

G: I'm not as winded, it gives, uh, I just feel, uh, even though I am still smoking, yes, I feel a little bit healthier (chuckle).

H: You wake up in the morning and you're not as congested, you don't have to wait for your chest to clear, I can run up and down the stairs and I can go to the park and I can play ball and, you know, I can run around with the kids and not be winded and not have to sit down and say, "Mommy's tired, I can't do this."

GRAPHIC: Blue Screen: "PhaseOut: The Smokers' Solution"

[COMMERCIAL:]

Depiction: Pictures people smoking, using product.
Quick disclaimer that this is paid ad at bottom.

Voice-Over: Nobody has to tell you the damage smoking causes, but many people still enjoy smoking and, even if you want to cut back or quit, most methods are annoying, painful or expensive. But now there's PhaseOut, a breakthrough device that drastically reduces the harmful effects of cigarette smoking without changing the taste or the pleasure.

GRAPHIC: words overlay pictures of people smoking:
PhaseOut works on:
Filtered or Non Filtered
Hard or Soft Pack
Kings, 100's or Regular

Complaint

EXHIBIT B

You don't have to change brands to get all the benefits of reduced nicotine, tar and other harmful substances. PhaseOut works on any standard pack.

GRAPHIC: Shows illustrated image of punching pack, and inflow of air in perforated cigarette

With a simple punch it forms a condensation filter within your cigarette which traps more harmful substances before they ever reach your body.

GRAPHIC: Illustrated cigarettes shrink and respective labels notify viewer of reductions in:

*"Nicotine 81%
Tar 92%
Carbon Monoxide 89%"*

By the end of the program, you're smoking 81% less nicotine, 92% less tar, and 89% less toxic gases.

GRAPHIC: Shows people smoking with overlay of words:

*"Smoke less harmful cigarettes
Cut down
Quit for good
No withdrawal symptoms"*

PhaseOut is a real smokers' solution. You keep smoking until you are ready to cut down or quit, and because it gradually reduces the nicotine you inhale, you don't suffer the painful withdrawal symptoms associated with going cold turkey.

*GRAPHIC:
No invasive drugs
No patches or gum*

With many other methods, you're simply trading one drug for another, but with PhaseOut, you're allowing your body to become more comfortable with less and less nicotine without drugs.

*GRAPHIC:
Go at your own pace*

Best of all PhaseOut lets you progress at your own pace, you decide when to move from one phase to the next.

GRAPHIC: Shows product and "Only \$35.95"

For one low cost, you get all of the benefits and none of the pain or hassles that go with quitting; you simply can't lose with PhaseOut. Whether you quit or continue to smoke less damaging cigarettes, PhaseOut is the only product you'll ever need.

*Superimposed text:
If after 30 days, you are not completely satisfied with your results, return PhaseOut for a full refund of your payment.*

It comes with a money back guarantee so you risk absolutely nothing to give PhaseOut a try.

Complaint

123 F.T.C.

EXHIBIT B

Depiction:
Pictures all of the people that gave testimonials in the
ad-program

Join thousands of other smokers who have started on the
road to better health with PhaseOut.

GRAPHIC: Shows product w/superimposed text:
Safe
Effective
Easy to use
Scientifically proven

It's safe, effective, easy to use, and scientifically
proven. It's the discovery smokers have been waiting
for.

GRAPHIC: Shows product, phone number -- 1-800-257-8866,
address -- P.O. Box 10441, Waterbury CT 06725-0441,
price -- \$39.95 plus \$6.00 S&H . . .

Give yourself or someone you love the gift of life,
order PhaseOut today. Have your credit card ready and
call the toll free number now or send check or money
order to the address on your screen, but for fastest
delivery call the toll free number now; sorry no COD's.

[END COMMERCIAL]

GRAPHIC: Blue Screen: "PhaseOut: The Smokers' Solution"

Reporter:

We're here on the streets of New York City to talk to
smokers about a revolutionary new device that lets them
keep smoking while cutting down on the nicotine and
other toxins they inhale. It works without having to
change your cigarette brand, without changing the taste
or enjoyment, and best of all it works without drugs;
it's great news for people who smoke.

I:

Well it doesn't taste any different

J:

I've been smoking these for about two or three years and
it tastes like the same thing.

K:

Yea, you couldn't even tell, I mean it tastes exactly
the same.

L:

Hard to believe

Reporter:

Why is it hard to believe?

L:

You can't tell

Reporter:

You can't tell at all?

L:

You can't

M:

It taste like a Marlboro

N:

I don't feel any different

Reporter:

Yea? Does it taste like the normal cigarette you have?

Complaint

EXHIBIT B

N: Yea

*Superimposed text:
The Complete Program Reduces Nicotine by 81%*

Voice-Over: We asked if she realized she just inhaled 30% less nicotine and other damaging substances

N: Really, well I would like to see, um, proof, some kind of data showing that and, if so, then I would buy it and I would punch every pack

Adams: PhaseOut program has been receiving some very interesting attention in the medical community. With me is Pulmonary Specialist Dr. Robert Brandstetter, Associate Director of Medicine at New Rochelle Hospital Medical Center and distinguished Cardiologist Dr. Arnold Benson, former Chief of Medical Services at the Pentagon. Dr. Benson, as a cardiologist, what stimulated your interest in PhaseOut?

Dr. Benson: Well here I was a physician and a cardiologist and a smoker, and I was embarrassed. I have, uh, taken care of many sick people who I had to recommend that they stop immediately the habit of smoking, and, uh, yet they would walk into my office, the smell of smoke was ever present. I was afraid of stopping smoking, I didn't want to go through the withdrawal phase

Adams: Were you a very heavy smoker?

Dr. Benson: I was a heavy smoker, I smoked for 40 years exactly and I smoked not less than 2 packages of cigarettes a day

Adams: And you attribute your quitting to PhaseOut?

Dr. Benson: I stopped smoking because of PhaseOut, PhaseOut did it gradually

Adams: And your still not smoking today?

Dr. Benson: Well it's two and a half years since I quit, 40 years of smoking, and I have gone two and a half years without smoking and I don't miss it.

Adams: Now doctor, I understand there's a medical study which confirms that PhaseOut reduces the amount of nicotine in a regular cigarette

Dr. Brandstetter: At Johns Hopkins University, volunteers who smoked for a considerable period of time were enrolled in a study which demonstrated that PhaseOut actually reduced the amount of nicotine in their blood over the period of time of the study.

Adams: So, the idea is then if you can reduce the amount of addicting nicotine, you'll thereby be reducing the addiction is that correct?

Dr. Brandstetter: Exactly and at the same time you'll actually be reducing the possibility of withdrawal symptoms and it's these

Complaint

123 F.T.C.

EXHIBIT B

withdrawal symptoms which cause people not to be able to stop smoking

A: When I got the, um, PhaseOut product I was concerned that because of the reduced nicotine and tar and all the other poisons that I would immediately increase my intake of cigarettes. However that wasn't the case, I went, I started on phase one, um, the first day I got it, I was all excited, and then went immediately, within two days to phase two because I didn't notice a difference at all.

B: I had little faith in smoking devices to help me stop smoking and, um, after a while I definitely saw a change, like I was telling you before, now I'm down to one pack every three or four days where before it was a pack a day.

O: I felt that PhaseOut helped me control how I was going to stop smoking, how long it was going to take me, and in stages I could handle.

P: I thought that I would want to smoke more cigarettes but I didn't, in fact I smoked less cigarettes and I wasn't thinking about it

Q: I feel great about not being controlled by the use of cigarettes

GRAPHIC: Shows how to use product and illustration of perforations and shrinking cigarettes with words:

Nicotine 26% Tar 41% Carbon Monoxide 58%
Phase Two: Nicotine 47% Tar 66% Carbon Monoxide 73%
Phase Three: Nicotine 64% Tar 80% Carbon Monoxide 83%
Phase Four: Nicotine 81% Tar 92% Carbon Monoxide 89%

Adams: If you follow the PhaseOut plan over a period of several weeks you will gradually reduce the levels of damaging substances in every cigarette you smoke. PhaseOut is a four step program where you control your progress. Here's how it works, take any standard size package of cigarettes hard or soft, kings or 100's, put it into the PhaseOut device and press down, micro fine almost invisible perforations now create a condensation screen that cuts nicotine levels by 26%, the levels of tar by almost 41% and the levels of toxic gases like carbon monoxide by 58%. Phase two reduces nicotine levels by nearly in half, and further reduces the levels of tar and toxic gases. Phase three cuts levels of nicotine by nearly 64%, tar by 80% and carbon monoxide by 83%. By the time you reach phase four, your nicotine consumption is reduced by nearly 81%, you're also taking in 92% less tar and 89% less toxic gases.

And its easy, its completely natural, no expensive prescriptions, no attachments, no trading one drug for another, best of all you continue to enjoy the taste and draw of your own cigarette brand. By waiting at least two weeks between phases you gradually reduce your body's need for nicotine without the agony of going cold turkey. You can stay on each phase as long as you like

Complaint

EXHIBIT B

until you're ready to move on. You're in control, you know that with each phase you're doing more good for your health and when you get to phase four you can quit whenever you're ready. PhaseOut has helped many smokers quit cigarettes for good and thousands of others to smoke less damaging cigarettes.

- A: I think it's been very easy to use PhaseOut because it feels as if I'm not doing anything different and I get closer and closer to quitting, it's good that I've been able to stick with it through phase four because I know now, that the nicotine withdrawal is going to be so much less and so much easier to break having gone through this gradual reduction.
- Q: In using the PhaseOut program, it was after, I was in the last stage, I had been using it for a while, that I was beginning to feel, hey, I think I've really kicked this
- E: It helped me do it at my own pace, I kinda felt that I was in control.
- O: I phased out a very bad habit and I did in my own way, in my own time and it was comfortable and it was easy and it worked.
- C: I've tried to stop smoking many, many times all unsuccessfully before PhaseOut, I think it was Groucho Marx that said, "it's easy to stop smoking, I know because I've done it dozens of times", but I never did successfully before PhaseOut.
- R: With this product, anybody can quit smoking, it's no big deal. I thought it was a big deal to quit smoking, but it was so easy.
- P: But it wasn't as tough as I'd built it up to be, and I really and honestly and truly believe that PhaseOut really helped me stop and that's what I needed, just a little help.
- Reporter: Let's face it, one of the things that drive smokers mad is being lectured about it, particularly from people they don't even know
- S: I live in California, and people in California really hate smoking
- T: Even my 11 grandchildren try to stop me
- Reporter: What do they do?
- T: Take my cigarettes and throw them away
- U: A lot of my friends are non-smokers and I have to not smoke in the car
- Reporter: Non-smokers just don't understand how physically and psychologically difficult it is to stop and they don't know how many smokers have tried and failed using all kinds of methods.

Complaint

123 F.T.C.

EXHIBIT B

V: It's not like I started and I don't want to quit, I really do, would like to quit, it's just very hard, it's very addicting

J: All efforts have failed

W: I tried a billion times, by hiding cigarettes from myself, I told people I hold in great esteem that I quit smoking and I'm using a whole bottle of perfume not to smell like smoke, and I tried once taking care of cancer patients, volunteer, so that it scares me and I don't smoke for like a day or two, then I run back and pick up a cigarette.

Reporter: I used to be a smoker myself so I know what it's like to sit through a long flight and not be able to light up, it used to happen during long meeting or when I'd be out with a group of non-smokers. It's torture not being able to smoke, but PhaseOut can help you get through those times

X: With the PhaseOut, as I got through the program I found less and less, if I had to work through my break, I wouldn't miss the cigarette

P: I figured, well, I can wait three, four, five hours for my next cigarette, and I thought, My God, what am I doing waiting five hours for a cigarette, it was amazing

Reporter: PhaseOut is easy, effective and it's inexpensive, best of all it is good news for your health.

VO: We asked smokers who tried PhaseOut just once, how much they'd pay to own this breakthrough device

Y: There's no price on this, it's going to cut your bad habit, so I'd pay up to, you know, hundreds of dollars

Z: I would pay \$95. for it

J: Any amount of money would be worth it

M: I don't see \$25, \$50, or \$100 being a big ticket

P: I would of paid anything if I knew then what I know now, I would have paid almost anything, because when your health is failing, all the money in the world doesn't bring it back

GRAPHIC:

PhaseOut

Nicotine patch: 3 months=\$300

Hypnotism: each session=\$100

Nicotine gum: 2 months=\$72

Acupuncture: each session=\$50

based on average cost per recommended treatment

Think of the expense of most anti-smoking methods and then realize that none of them help you fight the psychological or emotional need to have a cigarette in your hand

395

Complaint

EXHIBIT B

Reporter:

With PhaseOut there's a one time low cost, you use the same device for as long as you wish to keep smoking. It gradually eliminates your physical need so you can take the time you need to break the emotional or psychological need. It even comes with a money back guarantee. People love the idea of gradually getting control over cigarettes because it takes away the fear of withdrawal symptoms and they know that as long as they are on the PhaseOut program, they're smoking less damaging cigarettes.

P:

You're still doing yourself a tremendous favor even if you do continue to smoke

G:

With PhaseOut you can cut back, you don't have to quit and you're still a lot better off than before

AA:

If I just wanted to, like, smoke when I go out to a bar, and, like, when I'm having a drink with somebody, and if I want to smoke and do the whole thing I can still smoke and enjoy a cigarette but I'll be getting less bad things.

D:

I pull out my cigarettes in my social situation and I feel better for it because I know it's reduced and maybe I'm a little smarter than everyone else here because my cigarette has been phased out and yours are normal and so right now I'm intaking less toxins into my body

C:

With the use of the PhaseOut system I can only come out ahead, I would either stop, cut down or, whatever I smoke, I would have eliminated most of the poisons, tars, nicotine, carbon monoxides, so you couldn't lose.

Reporter:

It's unanimous, PhaseOut offers smokers a real solution, it doesn't change the taste or draw of the cigarette, there are no side effects, it lets you decide if and when you want to quit, and here's the best part, PhaseOut it just a phone call away.

GRAPHIC: Blue Screen: "PhaseOut: The Smokers' Solution"

[BEGIN COMMERCIAL]
[END COMMERCIAL]

GRAPHIC: Blue Screen: "PhaseOut: The Smokers' Solution"

Adams:

And now I'd like you to meet our next guest who successfully quit smoking using PhaseOut. This is Rene Myer, welcome Rene. Let me ask first, how heavy a smoker were you?

Rene:

I smoked a pack a day for eight or nine years

Adams:

Well tell us now, if you can, what you experienced as you progressed through the phases of the PhaseOut program

Rene:

PhaseOut was so gradual that with the first phase I didn't really notice any differences. The second phase the only thing I noticed was that I wasn't as anxious about getting breaks to have a cigarette. And the third

Complaint

123 F.T.C.

EXHIBIT B

phase, I wasn't overly concerned that I had to have my pack of cigarettes before I got to work. And phase four, I was ready to quit, I just wanted to stretch it for that special New Year's Eve occasion, and as of midnight that was it, I had my last cigarette.

Adams: Very, very good to hear, Rene, thank you for sharing your story with us

Rene: You're welcome

Reporter: Most smokers are pretty tired of being picked on for the damage they're doing to their health, and now there's strong evidence to back up the fact that PhaseOut lets you do something good for your self

GRAPHIC: Shows book and flips to pages of study

VOICE-OVER: The April 1992 issue of Pharmacology, Biochemistry and Behavior published results of a research study conducted at the Johns Hopkins University School of Medicine. This prestigious journal reports that PhaseOut,

VOICE-OVER
w/superimposed
text: "significantly reduced human exposure to tobacco smoke constituents. Reductions of 30% to 80% were observed for both nicotine and carbon monoxide." The report concluded that, "the use of the PhaseOut device . . . could be particularly useful as a weaning method prior to smoking cessation." More favorable comments come from Jack E. Henningfield, Ph.D., of the National Institute on Drug Abuse, "The Johns Hopkins study . . . is exciting because it showed that by using the PhaseOut device with regular cigarettes, the volunteers obtained progressively lower amounts of nicotine and carbon monoxide. This suggests that the PhaseOut device might provide a practical and useful means for smokers to wean themselves from nicotine and their addiction to tobacco."

Reporter: That's proof that PhaseOut can work for you, whether you want to smoke less harmful cigarettes or whether you want to give up smoking for good

Superimposed text:
PhaseOut works: Reduces levels of:
Nicotine up to 81%; Tar up to 92%; Carbon Monoxide and other toxins up to 89%

Voice-Over: Medical evidence proves that PhaseOut works, it effectively reduces the levels of nicotine and toxins you smoke even if you are already smoking a low tar or nicotine brand.

GRAPHIC: Overlay:
"PhaseOut is easy; Smoke your own brand; Same taste; same draw"

PhaseOut is easy to use, it works on your own brand of cigarettes, without changing the taste or the draw, you still get the same enjoyment from every cigarette.

GRAPHIC: Overlay:

EXHIBIT B

*"You control your own progress; Go at your own pace;
Stay on any phase as long as you like"*

PhaseOut lets you control your own progress, stay on each phase for the recommended two weeks or until you are ready to go on to the next phase.

GRAPHIC: Overlay:
*"No Suffering: Gradually reduces the need to smoke;
Virtually no withdrawal symptoms"*

With each phase you're gradually reducing your physical need to smoke. With PhaseOut, you're not hit with agonizing withdrawal symptoms, the changes are so gradual, so subtle, you won't feel any negative physical effects.

GRAPHIC: Overlay:
"Immediate results"

PhaseOut's effects are immediate, your progress begins when you punch your very first pack.

GRAPHIC: Overlay:
No trading dependencies

With PhaseOut, you're not trading one dependency for another, you won't have to rely on gums, filters, or other crutches.

GRAPHIC: Overlay:
No drugs or chemicals

PhaseOut contains no drugs or chemicals, and you don't need a doctor's prescription to get it.

GRAPHIC: Overlay:
*PhaseOut is hassle-free:
No patches; No annoying alarms; No filters*

With PhaseOut, there are no uncomfortable, ugly patches on your body, no annoying computers beeping at you, no need to keep replacing filters, just put your cigarette pack in the PhaseOut device and punch it in seconds.

GRAPHIC: Overlay:
*PhaseOut is a great value:
No doctor's visits; No on-going prescriptions*

And finally, PhaseOut saves you money, you buy it once and use it forever. You don't have to pay for a visit to the doctor or for expensive prescriptions and refills, PhaseOut pays for itself in the money you'll save as you feel the need to smoke fewer and fewer cigarettes.

Reporter:

All in all it is clear PhaseOut is a solution, not a band-aid, a fad, or an invasive, expensive drug, with PhaseOut, you immediately start to smoke less harmful cigarettes, with no loss of flavor or satisfaction, you may even quit smoking for good. So now when someone says to you, you need to do something about your

Complaint

123 F.T.C.

EXHIBIT B

smoking, you can show them PhaseOut, the breakthrough device that is truly enriching the lives of smokers everywhere.

GRAPHIC: Disclaimer: "This program is a paid advertisement for PhaseOut"
Screen with people speaking and price, number and address to order

BB: It doesn't take much to do it, you don't feel like you failed in any way, you never feel like you failed.

Q: There wasn't that starvation feeling, and that deprived feeling because the PhaseOut program works so slowly and, um, it weans you, is what it does, it weans you, it's not cold turkey.

R: My wife was a smoker, but she quit the hard way, she went cold turkey. I took the easy road, the PhaseOut road.

O: PhaseOut is something that everybody should try, because it works and it's easy and I wouldn't say it if I didn't mean it.

P: It wasn't as hard as I thought it was going to be, and nobody was more surprised than me, I couldn't believe it.

D: Try PhaseOut, because you're not losing either way. If you try it and you stay on PhaseOut for the rest of your life, you're still making an improvement. If you try it and go to phase two or three, and you're still smoking the same number of cigarettes that you smoked without PhaseOut, you're making an improvement for yourself, and you might surprise yourself, you know, if you do it long enough you may get to four, and you might as well just put it down and stop and that's great, you know, you've been PhasedOut, (laugh)

Adams: I urge you to try PhaseOut, for you or someone you love this may be the gift of life. This is Mason Adams, thank you for joining us and to all of you, good health.

P: If I knew then what I know now, I would have paid almost anything, because when your health is failing, all the money in the world doesn't bring it back

GRAPHIC: Blue Screen: "PhaseOut: The Smokers' Solution"

[BEGIN COMMERCIAL]
[END COMMERCIAL]

GRAPHIC: Blue Screen: "PhaseOut: The Smokers' Solution"

395

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EXHIBIT C

**RADIO
TV REPORTS**

41 East 42nd Street, New York, NY 10017 (212) 309-1400

PRODUCT: PHASEOUT
 TITLE: "STOP SMOKING OR YOUR MONEY BACK"
 PROGRAM: HOWARD STERN
 STATION: ETV

10/14/94
 (NEW YORK)

EXHIBIT C

94-13957 M1

:60

11:08PM



(VARIOUS PEOPLE) ANNCR:
 Stop smoking or your money
 back.



(MUSIC IN) MAN: I'm just not
 ready to stop smoking.



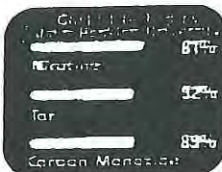
ANNCR: Introducing PhaseOut,
 the stop smoking system



that actually lets you continue
 to smoke until you don't need
 to anymore.



ANNCR: Place your favorite
 brand of cigarettes inside the
 PhaseOut device and press
 down, that's all you have to
 do. PhaseOut actually



eliminates up to 92% of tar and
 89% of carbon monoxide.
 PhaseOut reduces up to 81% of
 nicotine



to help break the cigarette
 addiction.



DR. A. BENSON: I'm a
 cardiologist, a former 2 pack
 per day smoker for over 40
 years.



I haven't smoked in over 3
 years.



MAN: Okay, I'll try it.



DR. A. BENSON: As a doctor, I
 must tell you the time to stop
 smoking is now.



ANNCR: PhaseOut, just 2
 payments of \$19.95.



The doctors choice to
 gradually



ease your addiction to
 cigarettes.



so it's easier to quit. Yes with
 PhaseOut you can actually
 keep smoking.



because smoking is less harmful
 until you're ready to quit. 100%
 guaranteed or your money back.
 (MUSIC OUT)

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123 F.T.C.

EXHIBIT D

PO-radio.djc

Client: PHASEOUT
Title: "Advertorial"
Code: Ad-A-J
Phone #: 1-800-982-6800

ANNCR: Here's an announcement smokers everywhere have been waiting to hear: Tests at Johns Hopkins University prove a revolutionary new system called PHASEOUT eliminates up to 80% of the nicotine and carbon monoxide in any brand of cigarettes. It doesn't change the flavor or satisfaction of your favorite brand, doesn't require patches or prescriptions. As a matter of fact, you can order PHASEOUT simply by calling 1-800-982-6800. This is the one you've seen on national TV... the only system sold with an unconditional money back guarantee. Smoke a pack a day? With PHASEOUT that's like cutting down to just 4 cigarettes. And as PHASEOUT gradually eliminates the nicotine it gradually eliminates your "need" for cigarettes. Now you can quit easily, without cold turkey, or continue smoking cigarettes that are far less dangerous to your health. More good news: during this special introduction, you can order PHASEOUT for just \$39.95. But you must call now. 1-800-982-6800. You owe it to yourself and the people who love you. That's 1-800-982-6800. PHASEOUT makes it safer to smoke, easier to quit.

EXHIBIT E

STOP SMOKING FOREVER —WITH PHASE OUT

Guaranteed or your money back

NEW EASY WAY—Clinically tested and validated by Johns Hopkins University School of Medicine to reduce up to 80% of nicotine and carbon monoxide in cigarette smoke.

- Works automatically—no will power needed
- Virtually no change in taste or draw
- Ends nicotine craving forever
- No cravings or urges • 100% safe
- No side effects or unpleasant withdrawal symptoms
- Recommended by doctors and health organizations
- Eliminates up to 80% of the tars, nicotine and poison in cigarette smoke—so even if you decide to keep smoking, you will no longer face the same danger of cancer and heart disease

As Seen On
TV

See
what
Dr.'s
say:

"A boon to mankind" —Dr. C.C. Blumberg, NY
"I strongly recommend" —Dr. S. Karlan, FL
"Very impressed" —Dr. M. Greenbaum, NY

77840 Phaseout® \$ 34.99 ✓

SHARPENS vision **BLUE-BLOCKING**
CLIP-ONS REDUCE PAIN & GLARE OF SUN

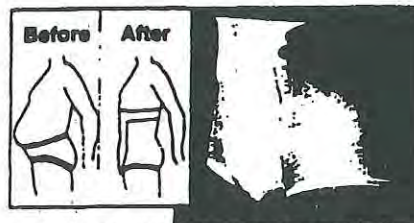


• Blocks UV radiation • Stops glare

Clip to your own prescription glasses and block out "Blue" light and painful glare that regular glasses can't. Makes everything look sharper and clearer.

30811 Amber-Optics Clip-ons \$4.99, 2 for only \$8.99
30810 Amber-Optics Frames \$4.99, 2 for only \$8.99

They flip up
They flip down



LOOK SLIMMER INSTANTLY (Best Value for Men)

Now zip away tummy bulge *immediately!* "Magic Zipper" lets you slip in and out easily—no struggling. Instantly slims tummy, hips and upper thighs. Corrects posture and supports back muscles. You'll look slimmer, trimmer, younger. Machine washable. State sizes M (34-36), L (38-40), XL (42-44). C.P.R.P. \$29.99—ours \$15.99.

3017 Slenderizer for Men \$ 15.99 ✓

TOILET SEAT BOOSTER

Add up to 5½ inches of height for easier sitting and rising. Ideal for bad-back or arthritis-sufferers. Fits over any toilet—no tools or installation needed. Competitor's published regular price \$49.99—our price only \$24.99.

**NEVER
STRUGGLE
AGAIN!**

Item #	Item Name	Your price
30732	5½" Booster w/arms (shown)	\$ 24.99 ✓
	SHIP WEIGHT 2 only \$44.99	
30733	5" Booster w/hand grips	\$ 18.99 ✓
	SHIP WEIGHT 2 only \$34.99	
30731	4½" Booster (standard)	\$14.99 ✓
	SHIP WEIGHT 2 only \$27.99	



4

**BUY AT OUR LOW
DR.'S PRICES!**

We have only one price—you pay same low price we charge Dr.'s & customers on our own mailing list.

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EXHIBIT F

EXHIBIT F

F A L L S A V I N G S I S S U E



First with the *New Ideas in Nutrition* for over 42 years

PHASE OUT

NEW Proven new device shown to reduce the dangers of cigarettes while helping even hardcore smokers quit.



Phase Out is a scientifically designed and patented mechanical device that eliminates toxins in cigarette smoke. Tests conducted at the U.S. Testing Company and confirmed in recent studies at

the Johns Hopkins School of Medicine show that Phase Out lets smokers gradually and easily withdraw from nicotine addiction without the stress and irritation of "cold turkey".

Simply place an unopened pack of cigarettes in Phase Out and press. Phase Out instantly puts tiny perforations into your filtered or unfiltered cigarette. This allows cool air to mix with the hot gases created when you smoke. The resulting condensation traps up to 90% of the tars, nicotine and other poisons, and keeps them from reaching your lungs.

Use the simple 8-week Phase Out program (included) to stop smoking entirely, or just use Phase Out to create safer cigarettes. Either way, your health will benefit. Try fast, simple and effective Phase Out now.

No. 2-0101 \$29.95

EXHIBIT G

Would you spend the price of two cartons of cigarettes to protect your unborn child?

EXHIBIT G

Maternal smoking is one of the most significant causes of serious risk in pregnancy and is linked with complications including miscarriages, pre-term birth, low birth weight, and respiratory distress syndrome. If you're pregnant, you owe it to yourself and your unborn child to stop smoking!

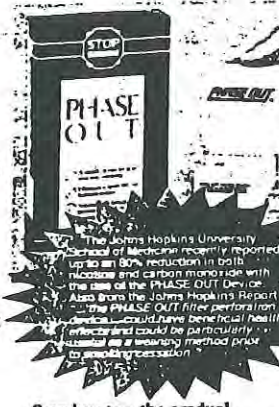
If you haven't been able to stop smoking before, the four-step PHASE OUT[®] SYSTEM will help win this important battle for you, your baby, and all your other family members who are affected by your second-hand smoke.

How does PHASE OUT work? The patented device, which utilizes a gradual withdrawal technique over an eight-week period of time, creates microfine perforations in the lip end of your cigarettes, one pack at a time — simply and conveniently.



PHASE OUT prevents up to 80% of the deadly tar, nicotine, and other poisons from ever entering your body.

And the taste, flavor and draw of your cigarettes aren't changed!



Step by step, the gradual elimination of nicotine through the patented PHASE OUT device makes quitting easier.

Completely natural and safe, and using no chemicals or drugs ... no withdrawal problems or possible harmful side-effects for pregnant women (like those associated with the nicotine patch).

ALL YOU DO IS PRESS ...

and the PHASE OUT System creates microfine perforations in the lip end of your cigarettes — one pack at a time — simply and conveniently.

Prevents up to 80% of the deadly tar, nicotine, and other tobacco poisons from ever entering your body.

And without changing the taste, flavor and draw of your cigarettes!

With PHASE OUT, you'll successfully wean yourself of smoking at your own pace, with your own timetable.

So, what about it? Is the health of your unborn child worth the price of a couple of cartons of cigarettes? The PHASE OUT System to stop smoking is **ONLY**

\$29.95

For MasterCard and

Ordering, Toll-free:

800/423-0102

24 HOURS A DAY — 7 DAYS A WEEK

WHAT DOCTORS SAY:

"The Johns Hopkins study by Sitzer and colleagues is exciting because it showed that by using the PHASE OUT device with regular cigarettes, the volunteers obtained progressively lower amounts of nicotine and carbon monoxide. This suggests that the PHASE OUT device might provide a practical and useful means for smokers to wean themselves from nicotine and their addiction to tobacco."

Dr. Jack E. Henningfield, Chief, Clinical Pharmacology Branch, Addiction Research Center, National Institute on Drug Abuse, Baltimore, MD

"I reviewed the test reports from the U.S. Testing Laboratories regarding the reduction of nicotine, tar and carbon monoxide in cigarette smoke. Inasmuch as these substances in smoke are deleterious to health, the use of PHASE OUT and its program will be of immediate benefit to smokers."

Dr. Theodore Reich, Cardiovascular Specialist, NYU Medical Center, NY

"This letter is being sent to you with my sincere gratitude and appreciation. I was amazed and could not believe the results from using PHASE OUT. There were absolutely no withdrawal symptoms. The day I smoked my last cigarette was the last day I had any desire to do so. Your PHASE OUT really works!"

"It is now more than a year since I have quit smoking. I am a true believer in what PHASE OUT can do and want to do everything possible to spread the word. This letter serves as my endorsement of your product which hopefully will induce others to take the big step forward to a healthier life."

Dr. Arnold Benson, Cardiologist and Former Chief of Medical Services, Pentagon, Washington, D.C.

"I strongly recommend PHASE OUT to anyone who wants to stop smoking."

Dr. Sanford Kellor, Cooper City, FL

90-DAY MONEY-BACK GUARANTEE — For the PHASE OUT System risk-free. If not completely satisfied, just return the system within 90 days for full refund. Proof of purchase required.

YES! I want to stop smoking with the PHASE OUT System:

Name: _____

Address: _____

City: _____

State: _____ Zip: _____

Telephone: (____) _____

I want PHASE OUT System (s) _____

@ \$29.95 per PHASE OUT System: \$ _____

Plus Shipping & Handling: \$ 4.00

In PA, add 6% State Tax: \$ _____

TOTAL

☐ Check/MO ☐ VISA ☐ MasterCard ☐ AMEX

Amount _____ Exp. Date _____

Signature _____

Make check/money order (no cash) payable to:

EPI/Glen Eagle Marketing
Route 727 West, P.O. Box 68
Bridgewater, VA 22812



Complaint

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EXHIBIT H

EXHIBIT H

P H A S E O U T

© PHASEOUT 1993



PRACTICE SAFE SMOKING.

PHASEOUT® ELIMINATES UP TO 80% OF THE NICOTINE IN CIGARETTES.

We all know that safe smoking is **NO** smoking. Everyone understands the nicotine, tars and carbon monoxide in cigarette smoke are hazardous to your health. But if you simply must smoke, or if you'd love to quit, PHASEOUT® can really help.

Clinical research by Johns Hopkins University and tests by US Testing Company prove PHASEOUT's patented microperforation system significantly reduces all harmful substances in the cigarette brand you're lighting up right now.

It won't noticeably affect the taste or draw and you will still enjoy the pleasure and satisfaction of smoking your favorite brand. But by gently and gradually eliminating up to 80% of your nicotine

intake, PHASEOUT makes it easier to quit. Without cold turkey withdrawal symptoms or side effects.

Unlike patches, PHASEOUT requires no prescriptions, contains no drugs or chemicals, has absolutely no health risks or side effects, there's nothing to wear, and it's only a fraction of the cost.

Plus, PHASEOUT is guaranteed to work for you, or your money back. So you've got nothing to lose but your smoking habit.

Protect yourself with PHASEOUT. Because what you don't smoke can't harm you.

PHASEOUT.
MAKES IT SAFER TO SMOKE, EASIER TO QUIT.

CREDIT CARD HOLDERS MAY ORDER BY PHONE 24 HOURS 7 DAYS A WEEK. 100% SATISFACTION GUARANTEED!
Please have credit card handy!

1-800-822-9800 Dept. 5022

Please send me **PHASEOUT** devices at \$39.95 (each)

Merchandise Subtotal \$	_____
Shipping/Handling/Insurance at \$6 per unit \$	_____
NY State residents, please add tax \$	_____
TOTAL \$	_____

____ Enclosed is my check or money order payable to PHASEOUT

Please bill my ☐ VISA ☐ Mastercard

Acct. # _____ Expiration Date _____

Signature _____

Name _____

Address _____

City _____ State _____ Zip _____

Mail To: **PHASEOUT**

507 Maple Leaf Dr., Nashville, TN 37210 Dept. 5022

395

Complaint

EXHIBIT I

EXHIBIT I



Complaint

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EXHIBIT I

PHASEOUT NICOTINE IN
CIGARETTE SMOKE

We know that for many smokers, cigarettes are enjoyable and quitting is tough. PHASEOUT lets you smoke your regular brand of cigarettes without any noticeable change in taste. You just phase-out up to 80% of the nicotine, tar, carbon monoxide and other unwanted substances from your cigarettes. You still enjoy the pleasure and satisfaction of smoking until you are ready to quit.

PHASEOUT'S GRADUAL WEANING
COULD MAKE IT EASIER TO QUIT

Nine out of ten people who try to quit fail. By gently and gradually reducing the nicotine in your cigarettes, PHASEOUT can help you take control in your efforts to quit. You set your own pace and your own timetable, and you could make it easier to quit.

PHASEOUT
IS SCIENTIFICALLY PROVEN

Research confirms the effectiveness of PHASEOUT tests conducted by Johns Hopkins University and U.S. Testing Laboratories conclude that PHASEOUT gradually eliminates up to 80% of the nicotine, tar, carbon monoxide and total particulate matter found in cigarette smoke.

THIS IS WHAT THE JOHNS
HOPKINS RESEARCH REPORTED

"Use of the Phase-Out filter perforation device may allow smokers to continue smoking their preferred brand of cigarettes while reducing their exposure to tobacco smoke constituents. This could have beneficial health effects and could be particularly useful as a weaning method prior to smoking cessation."

"In conclusion, this study showed that filter perforation achieved with the PHASEOUT device significantly reduced human exposure to tobacco smoke constituents when tested in an acute smoking protocol under controlled laboratory conditions."

Controlled laboratory test on smokers conducted by Johns Hopkins School of Medicine

MAJOR BENEFITS

- Reduces up to 80% of tar, nicotine, carbon monoxide and total particulate matter in cigarette smoke through a "gradual weaning process."
- You quit at your own pace...your own timetable.
- Lets you continue to enjoy the flavor and taste of your favorite brand of cigarette.
- Inexpensive...one-time purchase.
- Easy to use.
- Non-invasive and thus risk-free.
- No drugs, chemicals or attachments.
- A progressive 4-step program that helps you gently phase out unwanted substances in cigarette smoke.

**The Choice is Yours to Cut Down or Quit
Either Way, You Win! You Are in Control.**

HOW PHASEOUT WORKS

Here's how PHASEOUT works. Insert an unopened pack—hard or soft, large-size, or 100's—into the patented PHASEOUT and squeeze. It makes tiny, almost undetectable perforations in filtered or unfiltered cigarettes. These microfine openings let cool outside air mix with the hot air inside the cigarette forming a natural condensation filter that traps over 80% of these substances—without noticeably changing the taste, draw or pleasure of your cigarette.

HOW YOU BENEFIT:

As you progress through phases I to IV, more and more nicotine is removed. This should make it easier for you to quit. The average smoker can spend over \$1,000 a year on cigarettes. You'll save a lot of money on the cost of cigarettes and cleaning bills. You can take that extra vacation, buy the extra clothes or dress you've longed for. You may even save money on life insurance. You won't be treated like a second class citizen anymore. Your friends and family will love you. Most important, you will feel like a winner.

You can continue to smoke until you feel ready to quit completely. Either way, from day one with Phase I, you benefit!

PHASE I

Place the top 1/2 (first) end of an unopened pack of cigarettes into the receptacle. Push the top and bottom together and then release (see figure 1). Remove the pack or box. Each cigarette is now protected with a precision perforation. You have reduced 35% of nicotine, 40% of tar and 51% of carbon monoxide.**

Stay on Phase I for two weeks.

PHASE II

Repeat the procedure of Phase I. Then, from the top 1/2, push up or back of unopened cigarettes and firmly squeeze the top (first) end and the receptacle and squeeze (see figure 2). Remove the pack or box. Each cigarette is now protected with two precision perforations. You have reduced 46% of nicotine, 65% of tar and 71% of carbon monoxide.**

Stay on Phase II for two weeks.

PHASE III

Repeat Phase I and Phase II. Then push the "Phase" receptacle located in the rear bottom housing from its position to the bottom (see figure 3). If the switch is already in the down position, remove the procedure. Place the unopened pack or box into the receptacle. Squeeze the top and bottom together and then release. Remove the pack or box. Each cigarette is now protected with three precision perforations. You have reduced 63% of nicotine, 80% of tar and 83% of carbon monoxide.**

Stay on Phase III for two weeks.

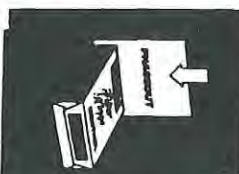


Figure 1



Figure 2



Figure 3

**Subjects based on independent lab data only. **Phase I only. **Phase II only. **Phase III only. **Phase IV only. **Phase V only. **Phase VI only. **Phase VII only. **Phase VIII only. **Phase IX only. **Phase X only. **Phase XI only. **Phase XII only. **Phase XIII only. **Phase XIV only. **Phase XV only. **Phase XVI only. **Phase XVII only. **Phase XVIII only. **Phase XIX only. **Phase XX only. **Phase XXI only. **Phase XXII only. **Phase XXIII only. **Phase XXIV only. **Phase XXV only. **Phase XXVI only. **Phase XXVII only. **Phase XXVIII only. **Phase XXIX only. **Phase XXX only.

THE WEANING MACHINE, TO HELP YOU QUIT SMOKING

EXHIBIT I

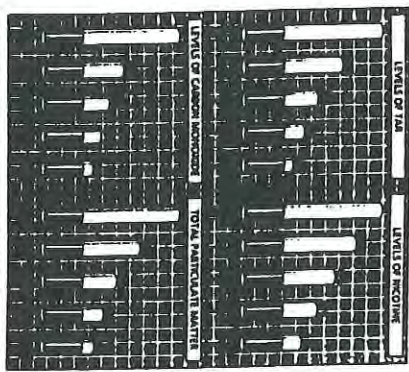
P H A S E O U T

PHASE IV
Repeat Phase I, Phase II and Phase III.
When the "Phase" (with a red in place,
turn the pack or box of unopened cigarettes (or as figure 2) place the top (left) and bottom together and then the sides. Remove the pack or box. Each cigarette is now protected with four precision perforations. You have reduced 80.7% of nicotine, 91.6% of tar and 89.2% of carbon monoxide."



Figure 4

**UNITED STATES TESTING COMPANY RESULTS SHOW
DRAMATIC REDUCTION OF
NICOTINE AND OTHER POISONS!**



Results of the United States Testing Company on the PHASEOUT System using US Government methods. Standard are the reduction of nicotine and other poisons during combustion. The reduction of tar and nicotine is 80.7% and 91.6% respectively. The reduction of total particulate matter is 89.2%. The reduction of tar and nicotine is 80.7% and 91.6% respectively. The reduction of total particulate matter is 89.2%. The reduction of tar and nicotine is 80.7% and 91.6% respectively. The reduction of total particulate matter is 89.2%.

PHASEOUT of America, Inc.
(A Publicly Owned Company)
Lynchburg, New York 11553
© Copyright 1984 Phaseout of America

WHAT'S BEING SAID

"Before I knew it I had gone from a three pack a day habit down to about a half a pack a day. I strongly recommend PHASEOUT to anyone who wants to stop smoking."

Dr. Sanford Kaler
Cooper City, FL

"I reviewed the test reports from the U.S. Testing Laboratories regarding the reduction of nicotine, tar and carbon monoxide in cigarette smoke. The use of PHASEOUT and its programs will be of immediate benefit to smokers."

Dr. Theodore Reich
MTU Medical Center, NY

"This letter is being sent to you with my sincere gratitude and appreciation. I was amazed and could not believe the results from using PHASEOUT. The day I smoked my last cigarette was the last day I had any desire to do so. Your PHASEOUT really works. It is now more than one year since I have quit smoking. I am a true believer in what PHASEOUT can do and want to do everything possible to spread the word. This letter serves as my endorsement of your product which hopefully will induce others to take the big step."

Dr. Arnold Benson
Former Chief of Medical Services
Pennington, Washington, D.C.

"I have been a two pack a day (and more) smoker for twenty years. I have tried almost every way to quit over the past fifteen years. None of the programs could deal with my major challenge, staying quit. I am in the third phase of the PHASEOUT program which means I am reducing tar by 77% and the nicotine by 65% but miraculously I am smoking less than ever. To me it is a miracle because I am trying to cut down. I want to thank everyone involved."

Dennis Nordlund
Akron, Ohio

Distributed by



THE WEAN-MACHINE, TO HELP YOU QUIT SMOKING

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EXHIBIT J

Phaseout Home Page

<http://www.unisworld.com/phaseout>

EXHIBIT J

**The amazing scientific breakthrough that
gradually reduces NICOTINE and other
unwanted substances from cigarette smoke**

COMPLETELY SAFE
NO DRUGS
NO ATTACHMENTS
NEWLY PATENTED

**SMOKING RELATED ILLNESSES
KILL MORE THAN 430,000
AMERICANS EVERY YEAR...**

That's more than those caused by alcohol, cocaine, homicide, suicide, automobile accidents, fires and AIDS combined. It's a serious health issue, which makes it even more tragic because smoking is voluntary. And because high levels of nicotine make it hard to stop.

**PHASEOUT Goes After
The Problem...Your Cigarettes**

PHASEOUT is a treatment for your cigarettes, not you. It uses a revolutionary approach called "filter perforation" that actually decreases levels of nicotine and other toxins. So you're able to reduce your craving, reduce the number of cigarettes smoked... and finally quit for good.

Another reason why PHASEOUT works is that its patented design allows you to treat your cigarettes without losing any of the flavor. PHASEOUT lets you stick with your own brand of cigarettes while trapping over 80% of the toxins...so it's convenient and less intrusive.

Plus it's backed by doctors, scientifically proven by the United States Testing Company, and validated by the Johns Hopkins University School of Medicine.

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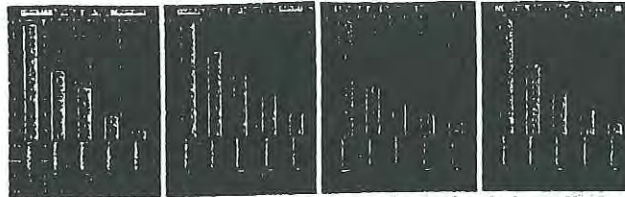
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Complaint

EXHIBIT J

Phaseout Home Page

<http://www.imsworld.com/phaseout>



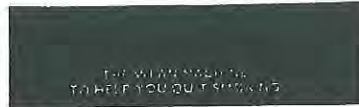
Illustrated are the reductions of nicotine and other toxins during each phase.

HOME	STOP SMOKING GRADUALLY	HOW PHASEOUT WORKS	WHAT'S BEING SAID	ORDER PHASEOUT
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Complaint

123 F.T.C.

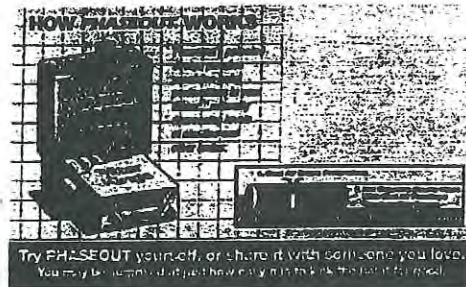
EXHIBIT J



STOP SMOKING THE SAME WAY YOU STARTED...GRADUALLY

PHASEOUT is a four-step program that slowly reduces the harmful and addictive effects of smoking, while allowing you to enjoy the full flavor of your favorite brand of cigarettes.

It uses a revolutionary approach called "filter perforation" that actually decreases levels of nicotine and other toxins from any brand of cigarettes. So you're able to reduce your craving, reduce the number of cigarettes smoked...and finally quit for good.



PHASEOUT is a *treatment for your cigarettes, not you*. Its patented design allows you to punch tiny, undetectable holes in your cigarettes, causing condensation...a natural filtering process that traps over 80% of the toxins.

Each phase adds more perforations, further decreasing the levels of nicotine, tar and carbon monoxide. It's a safe, effective method approved by doctors and validated by John Hopkins University School of Medicine.

HOME	STOP SMOKING GRADUALLY	HOW PHASEOUT WORKS	WHAT'S BEING SAID	ORDER PHASEOUT
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EXHIBIT J

PHASEOUT Works

<http://www.vyp.com/vphaseout/abou>**PHASEOUT NICKOTINE IN CIGARETTE SMOKE**

We know that for many smokers, cigarettes are enjoyable and quitting is tough. PHASEOUT lets you smoke your regular brand of cigarettes without any noticeable change in taste. You just phase-out up to 80% of the nicotine, tar, carbon monoxide and other unwanted substances from your cigarettes. You still enjoy the pleasure and satisfaction of smoking until you are ready to quit.

PHASEOUT'S GRADUAL WEANING COULD MAKE IT EASIER TO QUIT

Nine out of ten people who try to quit fail. By gently and gradually reducing the nicotine in your cigarettes, PHASEOUT can help you take control in your efforts to quit. You set your own pace and your own timetable, and this could make it easier to quit.

PHASEOUT IS SCIENTIFICALLY PROVEN

Research confirms the effectiveness of PHASEOUT. Tests conducted by Johns Hopkins University and U.S. Testing Laboratories conclude that PHASEOUT gradually eliminates up to 80% of the nicotine, tar, carbon monoxide and total particulate matter found in cigarette smoke.

THIS IS WHAT THE JOHNS HOPKINS RESEARCH REPORTED

"Use of the Phase-Out filter perforation device may allow smokers to continue smoking their preferred brand of cigarettes while reducing their exposure to tobacco smoke constituents. This could have beneficial health effects and could be particularly useful as a weaning method prior to smoking cessations."

"In conclusion, this study showed that filter perforation achieved with the PHASEOUT device significantly reduced human exposure to tobacco smoke constituents when tested in an acute smoking protocol under controlled laboratory conditions."

MAJOR BENEFITS

- Reduces up to 80% of tar, nicotine, carbon monoxide and total particulate matter in cigarette smoke through a "gradual weaning" process.
- You quit at your own pace...your own timetable.
- Lets you continue to enjoy the flavor and taste of your favorite brand of cigarette.
- Inexpensive...one-time purchase.
- Easy to use.
- Non-invasive and thus risk free.
- No drugs, chemicals or attachments.
- A progressive 4-step program that helps you gently phase out unwanted substances in cigarette smoke.

Complaint

123 F.T.C.

EXHIBIT J

HASEOUT Works

<http://www.vyp.com/phaseout/about.htm>

**The Choice Is Yours to Cut Down or Quit
Either Way, You Win! You Are in Control.**

HOW PHASEOUT WORKS

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**HOW YOU BENEFIT**

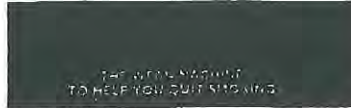
As you progress through phases I to IV, more and more nicotine is removed...this should make it easier for you to quit. The average smoker can spend over \$1,000 a year on cigarettes. You'll save a lot of money on the cost of cigarettes and cleaning bills. You can take that extra vacation, buy the extra clothes or dress you've longed for. You may even save money on life insurance. You won't be treated like a second class citizen anymore. Your friends and family will love you. Most important, you will feel like a winner.

You can continue to smoke until you feel ready to quit completely. Either way, from day one with Phase I, you benefit!

HOME	STOP SMOKING GRADUALLY	HOW PHASEOUT WORKS	WHAT'S BEING SAID	ORDER PHASEOUT
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EXHIBIT J

ASEOUT Works

<http://www.vyp.com/phaseout/testimonial>**WHAT'S BEING SAID**

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Cooper City, FL

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NYU Medical Center, NY

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Dr. Arnold Benson
Former Chief of Medical Services
Pentagon, Washington, D.C.

"I have been a two pack a day (and more) smoker for twenty years. I have tried almost every way to quit over the past fifteen years. None of the programs could deal with my major challenge...staying quit. I am in the third phase of the (PHASEOUT) program which means I am reducing tar by 77% and the nicotine by 66% but miraculously I am smoking less than ever. To me it is a miracle because I am trying to cut down. I want to thank everyone involved."

Donna Narducci
Akron, Ohio

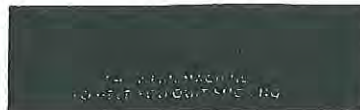
HOME	STOP SMOKING GRADUALLY	HOW PHASEOUT WORKS	WHAT'S BEING SAID	ORDER PHASEOUT
------	------------------------------	--------------------------	-------------------------	-------------------

Complaint

123 F.T.C.

EXHIBIT J

PHASEOUT Order Form



If you would like to have a secure transaction and have a browser that supports it please click here.

Order Phaseout for only \$39.95 + \$6.00 shipping and handling with a 30 day money-back guarantee.

Name:

Address:

City:

State:

Zip:

Credit Card:

Credit Card Number:

Expiration Date:

Qty Price

HOME	STOP SMOKING GRADUALLY	HOW PHASEOUT WORKS	WHAT'S BEING SAID	ORDER PHASEOUT
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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 complaint which the Bureau of Consumer Protection 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 the 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, or that the facts as alleged in such complaint, other than jurisdictional facts, are true, 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, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Phaseout of America, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 140 Broadway, in the City of Lynbrook, State of New York.

Respondent Products & Patents, Ltd. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 140 Broadway, in the City of Lynbrook, State of New York.

2. 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, the following definitions shall apply:

1. *"Johns Hopkins study"* shall mean the study that has been reported as Stitzer, Brigham and Felch, Phase-Out Filter Perforation: Effects on Human Tobacco Smoke Exposure, 41 Pharmacology, Biochemistry and Behavior 748 (1992).

2. *"Smoking-cessation product"* shall mean any product or program designed to aid or assist the user to stop or reduce the cigarette urge, break the cigarette habit, or stop or reduce smoking.

3. *"Cigarette-modification product"* shall mean any product or program designed to reduce the amount of tar, nicotine, carbon monoxide or other substance that smokers get from cigarettes, or reduce their risk of smoking-related health problems.

4. *"Substantially similar product"* shall mean any smoking-cessation product or cigarette-modification product that punches one or more holes in a cigarette or pack of cigarettes.

5. *"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. Survey evidence may be appropriate depending on the representation made.

6. Unless otherwise specified, *"respondents"* shall mean Phaseout of America, Inc. and Products & Patents, Ltd., corporations, their successors, assigns, agents, representatives and employees.

7. *"Purchaser for resale"* shall mean any purchaser or other transferee of the PhaseOut device, or of the right or license to sell the PhaseOut device, other than respondents, who sells, or who has sold, the PhaseOut device to other purchasers or to consumers.

8. *"In or affecting commerce"* shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

I.

It is ordered, That respondents, directly or through any corporation, subsidiary, division or other device, in connection with

the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of the PhaseOut device or any substantially similar product in or affecting commerce, shall not represent, in any manner, expressly or by implication, that:

A. The Johns Hopkins study proves that such product significantly reduces the amount of tar, nicotine, or carbon monoxide smokers get under normal smoking conditions;

B. The Johns Hopkins study proves that such product is effective in enabling smokers to quit smoking; or

C. The Johns Hopkins study proves that smokers who use such product and continue to smoke significantly reduce their risk of smoking-related health problems.

II.

It is further ordered, That respondents, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any smoking-cessation product or cigarette-modification product in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, that:

1. The product reduces the amount of nicotine, tar, carbon monoxide, or any other component of cigarette smoke that smokers get from smoking a cigarette;

2. The product is effective in enabling or helping smokers to quit smoking;

3. The product reduces the risk of smoking-related health problems, including, but not limited to, lung cancer or heart disease, for smokers who continue to smoke;

4. The product reduces the amount of nicotine, tar, carbon monoxide, or any other component of cigarette smoke that smokers get without changing a cigarette's taste or draw;

5. Smokers using the product will not compensate for the product's effects by increasing the number of cigarettes they smoke per day;

6. The product is effective in enabling or helping smokers to quit smoking without withdrawal symptoms; or

7. The product provides immediate health benefits, including, but not limited to, reduced congestion, coughing or windedness, for smokers who continue to smoke;

unless, at the time it is made, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

III.

It is further ordered, That respondents, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any smoking-cessation product or cigarette-modification product in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, about the performance, benefits or efficacy of such product, unless, at the time it is made, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

IV.

It is further ordered, That respondents, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any smoking-cessation product or cigarette-modification product in or affecting commerce, shall not misrepresent, in any manner, expressly or by implication, the existence, contents, validity, results, conclusions, or interpretations of any test, study, or research.

V.

It is further ordered, That respondents, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any smoking-cessation product or cigarette-modification product in or affecting commerce, shall not represent, in any manner, expressly or by implication, that the experience represented by any user testimonial or endorsement of the product

represents the typical or ordinary experience of members of the public who use the product, unless:

A. At the time it is made, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation; or

B. Respondents disclose, clearly and prominently, and in close proximity to the endorsement or testimonial, either:

1. What the generally expected results would be for users of the product, or

2. The limited applicability of the endorser's experience to what consumers may generally expect to achieve, that is, that consumers should not expect to experience similar results.

For purposes of this Part, "endorsement" shall mean as defined in 16 CFR 255.0 (b).

VI.

It is further ordered, That respondents Phaseout of America, Inc. and Products & Patents, Ltd., and their successors and assigns shall:

A. Within forty-five (45) days after the date of entry of this order, compile a current mailing list containing the names and last known addresses of all purchasers of the PhaseOut device since January 1, 1992. Respondents shall compile this list by:

1. Searching their own files for the names and addresses of such purchasers; and

2. Using their best efforts to identify any other such purchasers, including but not limited to sending by first class certified mail, return receipt requested, within five (5) days after the date of entry of this order, to all purchasers for resale with which respondents have done business since January 1, 1992, an exact copy of the notice attached hereto as Attachment A. The mailing shall not include any other documents. In the event that any such purchaser for resale fails to provide any names or addresses of purchasers in its possession, respondents shall provide the names and addresses of all such purchasers for resale to the Federal Trade Commission within forty-five (45) days after the date of entry of this order.

In addition, respondents shall retain a National Change of Address System ("NCOA") licensee to update this list by processing the list through the NCOA database.

B. Within ninety (90) days after the date of entry of this order, send by first class postcard, postage prepaid, to the last known address of each purchaser of the PhaseOut device identified on the mailing list compiled pursuant to subparagraph A of this part, an exact copy of the notice attached hereto as Attachment B. The mailing shall not include any other documents.

C. For one (1) year after the date of entry of this order, make the mailing described in subparagraph B of this part to any person or organization not on the mailing list prescribed in subparagraph A of this part about whom respondents later receive information indicating that the person or organization is likely to have been a purchaser of the PhaseOut device, and to any purchaser whose notification postcard is returned by the U.S. Postal Service and for whom respondents obtain a corrected address, from the U.S. Postal Service or elsewhere. The mailing required by this subparagraph shall be made within ten (10) days of respondents' receipt of a corrected address or information identifying each such purchaser.

D. In the event that respondents receive any information that, subsequent to its receipt of Attachment A, any purchaser for resale is using or disseminating any advertising or promotional material that contains any representation prohibited by this order, immediately notify the purchaser for resale that respondents will terminate the use of said purchaser for resale if it continues to use such advertising or promotional material; and

E. Terminate the use of any purchaser for resale about whom respondents receive any information that such purchaser for resale has continued to use or disseminate advertising or promotional material that contains any representation prohibited by this order after receipt of the notice required by subparagraph D of this part.

VII.

It is further ordered, That respondents Phaseout of America, Inc. and Products & Patents, Ltd., and their successors and assigns shall, for five (5) years after the last correspondence to which they pertain, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. Copies of all notifications sent to purchasers pursuant to subparagraphs B and C of part VI of this order;

B. Copies of all notification letters sent to purchasers for resale pursuant to subparagraph A of part VI of this order;

C. Copies of all communications with purchasers for resale pursuant to subparagraphs D and E of part VI of this order.

VIII.

It is further ordered, That respondents Phaseout of America, Inc. and Products & Patents, Ltd., and their successors and assigns 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 for inspection and copying:

A. All advertisements and promotional materials containing the representation;

B. All materials that were relied upon in disseminating the representation; and

C. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

IX.

It is further ordered, That respondents Phaseout of America, Inc. and Products & Patents, Ltd., and their successors and assigns shall deliver a copy of this order to all current principals, officers, directors, and managers, and to all current employees, agents, and representatives having responsibilities with respect to the subject matter of this order. Respondents shall deliver this order to current personnel within thirty (30) days after the date of service of this order.

X.

It is further ordered, That respondents Phaseout of America, Inc. and Products & Patents, Ltd., and their successors and assigns shall notify the Commission at least thirty (30) days prior to any change in the corporation(s) that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that with respect to any proposed change in the corporation about which respondents learn less than thirty (30) days prior to the date such action is to take place, respondents shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C.

XI.

It is further ordered, That respondents Phaseout of America, Inc. and Products & Patents, Ltd., and their successors and assigns shall, within sixty (60) days after the date of 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.

XII.

This order will terminate on February 12, 2017, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any Part in this order that terminates in less than twenty (20) years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

ATTACHMENT A

BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED

[To be printed on Phaseout of America, Inc. letterhead]

[date]

Dear [purchaser for resale]:

This letter is to inform you that Phaseout of America, Inc. recently settled a lawsuit with the Federal Trade Commission ("FTC") concerning certain claims we made for our product, PhaseOut, which the FTC has challenged as deceptive. Although we do not admit the FTC's allegations, we have agreed to notify our distributors, wholesalers and others who sell PhaseOut to consumers to stop using or distributing advertisements or promotional materials containing those claims. We are also asking PhaseOut sellers to provide us with the names of their customers so that we may contact them directly.

The FTC Settlement

The FTC claimed that we made unsubstantiated claims about PhaseOut's effectiveness in reducing the adverse health effects of smoking and in helping smokers to stop smoking. The FTC also alleged that the company made misrepresentations about a study conducted at The Johns Hopkins University using PhaseOut.

*Claims about reduced tar, nicotine and carbon monoxide yields.

The FTC alleged that the company made unsubstantiated claims that PhaseOut reduces the amount of tar, nicotine and carbon monoxide smokers get from smoking a cigarette by specific, substantial percentages. The company has agreed that it will substantiate any future claims that PhaseOut reduces the amount of any component of cigarette smoke that smokers get from smoking a cigarette.

The FTC also alleged that the company misrepresented the Johns Hopkins test results by claiming that the study proved that PhaseOut significantly reduces the amount of tar, nicotine and carbon monoxide smokers get under normal smoking conditions. Smokers often compensate when smoking low tar or nicotine cigarettes by taking more puffs from a cigarette, inhaling more deeply or blocking ventilation holes, such as the perforation holes produced by the PhaseOut device. The company has agreed that it will accurately represent the results of the Johns Hopkins study and any other test or study.

*Claims that PhaseOut is effective in enabling smokers to quit smoking.

The FTC alleged that the company made unsubstantiated claims that PhaseOut is effective in enabling smokers to quit smoking. The company has agreed that it will substantiate any future claims that PhaseOut is effective in enabling smokers to quit smoking.

The FTC also alleged that the company misrepresented the Johns Hopkins test results by claiming that the study proves PhaseOut is effective in enabling smokers to quit smoking. The company has agreed not to make this representation in the future.

*Claims that PhaseOut provides immediate health benefits and reduces the risk of smoking-related health problems for people who continue to smoke.

The FTC alleged that the company made unsubstantiated claims that smokers would derive substantial health benefits by using the PhaseOut product even if they continued to smoke. The company has agreed that it will properly substantiate any future claims of this type.

The FTC also alleged that the company misrepresented the Johns Hopkins test results by claiming that the study proved that smokers who use PhaseOut and continue to smoke significantly reduce their risk of smoking-related health problems. The company has agreed not to make this representation in the future.

*Claims that PhaseOut reduces tar, nicotine and carbon monoxide yields without changing a cigarette's taste or draw.

The FTC alleged that the company made claims that use of the PhaseOut device would not produce any change in a cigarette's taste or draw. The company has agreed to substantiate any future claims regarding taste or draw.

*Claims that PhaseOut is effective in enabling smokers to quit smoking without withdrawal symptoms.

The FTC alleged that the company made these claims without adequate substantiation. The company has agreed that it will have proper substantiation before making these claims in the future.

*Claims that users of PhaseOut will not compensate for the product's effects by increasing the number of cigarettes they smoke per day.

The FTC alleged that the company made these claims without adequate substantiation. The company has agreed to have proper substantiation before making these claims in the future.

*Claims that testimonials and consumer endorsements used in our ads reflect the typical or ordinary experiences of PhaseOut users.

The company has agreed that it will make these claims only if they reflect the typical experience of PhaseOut users or there is a proper qualifying disclosure to the effect that the results are not typical. No issue was raised regarding the authenticity of the actual testimonials and endorsements that have been used in PhaseOut advertising.

Our Obligations to Notify Distributors and Customers

In addition to our obligations discussed above, we have also agreed to provide notification of the FTC's allegations to consumers who have purchased PhaseOut. We need your assistance in complying with certain provisions of our settlement with the FTC.

First, we request that you discontinue using, relying on or distributing any PhaseOut advertising or promotional materials currently in your possession. We also ask that you notify any of your retail or wholesale customers who may have such materials to discontinue using them. These materials may contain claims that the FTC has alleged to be false or unsubstantiated. If you continue to use those materials, we are required by the FTC settlement to stop doing business with you. You should also avoid making any of the representations challenged by the FTC, as described in this letter.

Second, please send us immediately the names and last known addresses of all persons, including other resellers and consumers, to whom you have sold the PhaseOut device since January 1, 1992. We need this list in order to provide the notification required by our settlement with the FTC. If you do not provide this information, we are required to provide your name and address to the FTC.

If you have any questions, you may call us at (516) 599-1900 or you may call Devenette Cox at the FTC at (202) 326-3360. We apologize for any inconvenience this may cause you and thank you for your assistance.

Sincerely,

Irwin Pearl, President
Phaseout of America, Inc.

Decision and Order

123 F.T.C.

ATTACHMENT B

ATTACHMENT B

Front of Postcard

Phaseout of America, Inc.
140 Broadway
Lynbrook, New York 11563

[Name and address
of PhaseOut purchaser]

IMPORTANT HEALTH NOTICE!

*Back
of
Post
card*

Dear PhaseOut Purchaser:

Our records show that you bought the PhaseOut smoking cessation product. Phaseout of America, Inc. recently settled Federal Trade Commission charges that we made deceptive claims in our ads about the benefits of the PhaseOut product. Although we don't admit the FTC's allegations, we agreed to send this notice to people who bought the product.

According to the FTC, our ads deceptively claimed, among other things, that people who use PhaseOut could continue to smoke while substantially reducing the risk of smoking-related health problems, including lung cancer and heart disease. As part of our settlement, we agreed to stop making claims like this unless we have scientific proof to back them up. PhaseOut has not been proven to reduce the risk of smoking-related diseases or to make cigarettes "safer."

For more information about smoking-related health risks, call the National Cancer Institute's Cancer Information Service at 1-800-4CANCER.

Sincerely,

[Date]

Irwin Pearl, President of Phaseout of America, Inc.

465

Complaint

IN THE MATTER OF

INTERNATIONAL ASSOCIATION OF
CONFERENCE INTERPRETERS, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket 9270. Complaint, Oct. 25, 1994--Final Order, Feb. 19, 1997

This final order requires, among other things, the International Association of Conference Interpreters, a Switzerland-based voluntary professional association of interpreters from 68 countries, and its U.S. affiliate members to eliminate Association rules and bylaws regarding, among other things, fees, travel expenses, pro bono work, and commissions.

Appearances

For the Commission: *Kent Cox* and *Michael D. McNeely*.

For the respondents: *James Meyers* and *Robert Skitol, Drinker, Biddle & Reaths*, Washington, D.C.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that respondents, the International Association of Conference Interpreters, also known as the Association Internationale des Interprètes de Conférence (hereafter, "AIIC"), a corporation, and the United States Region of the International Association of Conference Interpreters (hereafter, "the U.S. Region"), an unincorporated association, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent AIIC is a corporation organized, existing and doing business under and by virtue of the laws of France, with its principal place of business located at 10, Avenue de Sécheron, 1202 Geneva, Switzerland. AIIC is a voluntary professional association of individuals in 68 countries engaged in the business of conference interpreting. Respondent the U.S. Region is