IN THE MATTER OF

NU SKIN INTERNATIONAL, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3489. Complaint, April 1, 1994--Decision, April 1, 1994

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

Appearances

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

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

COMPLAINT

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

PARAGRAPH 1. Respondent Nu Skin International, Inc. ("Nu Skin"), is a Utah corporation, with its principal office or place of
business at 75 West Center, Provo, Utah. Respondent Nu Skin, directly or indirectly, profits and benefits by and through the acts and practices of its distributors, including the acts and practices alleged in this complaint.

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

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

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

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

PAR. 6. Respondent Craig Tillotson is a distributor of Nu Skin’s products and distributorships, a member of the Nu Skin Distributor’s Advisory Board, and an officer and director of CST Management, Inc. Individually or in concert with others, he formulates, directs, controls or participates in acts and practices on behalf of CST
Management, Inc., including the acts and practices alleged in this complaint. He also receives commissions and other profits from the sales of Nu Skin products by himself and other distributors. His principal office or place of business is 11 Northridge Way, Sandy, Utah.

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

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

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

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

PAR. 11. Respondents have advertised, promoted, offered for sale, sold, and distributed: (a) Nutriol Hair Fitness Preparation ("Nutriol"), a topically applied non-prescription hair treatment
product; (b) Face Lift with Activator ("Face Lift"), a topically applied non-prescription facial treatment product; and (c) Celltrex, a topically applied non-prescription skin treatment product. These products are "drugs" and/or "cosmetics" within the meaning of Sections 12 and 15 of the Federal Trade Commission Act.

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

NUTRIOL

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

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

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

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

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

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

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

* * *

The following is a comparative chart designed to help you review the benefits of the three proven effective natural hair growth products available on the market today.
G. "Does Nutriol work? Crinos claims the following figures for its users:

|                      | NUTRIOL | FOLTENE | MINOXIDIL
|----------------------|---------|---------|-----------
| **Is it a Drug?**    | No      | No      | Yes       |
| **Success rate can be extended to 98% with professional help** | Up to 90%, plus | Up to 63% | Up to 35% |
| **Success rate at stopping hair loss** | 100%    | 75%     | Up to 50% |
|                      | (Exhibit D) |        |           |

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

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

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

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

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

PAR. 14. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph thirteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A through I, respondents have represented, directly or by implication, that:
A. Nutriol will stop, prevent, cure, relieve, reverse or reduce hair loss;
   B. Nutriol will promote the growth of hair where hair has already been lost;
   C. Nutriol is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss;
   D. Competent and reliable data show that Nutriol is effective in stopping hair loss and promoting hair growth.

PAR. 15. In truth and in fact:

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

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

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

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

FACE LIFT

PAR. 18. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the
participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials for Face Lift, including but not necessarily limited to the attached Exhibits J through N. These advertisements and promotional materials contain the following statements and depictions:

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

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

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

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

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

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

A. Face Lift will permanently remove facial wrinkles; and

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

PAR. 20. In truth and in fact:

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

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

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

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

CELLTREX

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

"I received second and third degree burns to my legs ... They [doctors] said that I would need skin grafting on my right leg ... [and] that without skin grafting, my leg would be disfigured, tight and scarred in color, and that I would not have full movement near my ankles because the skin would grow back tight. At that time, the grafting seem to be the only answer -- until I was introduced to [Celltrex] ... [Celltrex] has been tested on burn victims with success in healing tissue. I started to use the Celltrex ... They postponed all three surgeries because all the skin came back in less than 90 days. My skin feels normal in texture and where they told me I'd never have hair on my leg, I have hair."
PAR. 24. Through the use of the statement and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-three, including but not necessarily limited to the advertisement and promotional material attached as Exhibit O, respondents have represented, directly or by implication, that Celltrelx will promote the healing of third degree burns.

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

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

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

EARNINGS CLAIMS

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

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

B. "... on a part time basis [earn] a monthly net of $7168 ... that's $85,000 a year." (Exhibit M.)
C. "If you're not earning $10,000 a month or more We Need To Talk!" (Exhibit P.)

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

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

F. "Sales Organization Growth Duplication

\[
\begin{array}{c|c|c|c|c|c|c}
   & 5 & 5 & X & 5 & X & 5 \\
5 Mo. & 25 & 125 & 625 & 3125 \\
1 Mo. & 4000 Salespeople
\end{array}
\]

4000 Salespeople

Worst Case Attrition

75% (4000 X .25) = 1000

Remaining 1000

Worst Case Sales

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

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

$14,000 Per Month

$168,000 Per Year"

(Exhibit M.)

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

PAR. 30. In truth and in fact, the amount of money represented by these statements and depictions is not representative, or typical, of what individuals who become Nu Skin distributors will generally achieve on a monthly or annual basis. Therefore, the representation set forth in paragraph twenty-nine was, and is, false and misleading.
PAR. 31. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-eight, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits M, P, Q, and R, respondents have represented, directly or by implication, that at the time they made the representation set forth in paragraph twenty-nine, respondents possessed and relied upon a reasonable basis that substantiated such representation.

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

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

PAR. 34. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices and the making of false advertisements in or affecting commerce in violation of Sections 5(a) and 12 of the Federal Trade Commission Act.
You probably haven't heard about Nu-trial. But you will. The impending sales blip is part of a concerted effort to boost Lyphol, a company that specializes in multi-billion-dollar products that are sold to women in the U.S. by women who care about their hair. But sales of the product are down, and women are beginning to question its effectiveness.

Women of every conceivable age and stage are looking for products that will work miracles on their hair. Companies like Nu-trial are hoping to cash in on the demand with a new product that promises to grow hair faster.

The product is called Nu-trial, and it's being marketed as a hair-growing supplement. It contains vitamins, minerals, and other nutrients that are supposed to nourish the hair and promote new growth. But is Nu-trial really effective? The answer is not clear.

First, let's look at the evidence. Several studies have been conducted on the efficacy of Nu-trial. Some show promising results, while others are less conclusive. One study found that women who used Nu-trial for six months saw a significant increase in hair growth. However, another study found no difference between the Nu-trial group and a control group.

Another concern about Nu-trial is its safety. While it's generally considered safe, some women report experiencing side effects such as stomachaches and headaches. It's unclear whether these side effects are due to Nu-trial or other factors.

In conclusion, while Nu-trial may be effective for some women, it's important to do your own research before making a purchase. Be sure to read reviews and talk to your doctor before starting any new supplement.

The Bottom Line/Dah Dorfman
A Hair-Raising

EXHIBIT
EXHIBIT B
Hal... When More Is Better
Natural Remedy for Hair Loss and Regeneration

By Bob Jimenez

Dr. Poace Aiola in his book "Hair..." came to the conclusion that "in most cases the loss of hair and resultant baldness is caused by improper blood supply to the hair scalp." Until recently, the only holistic treatments to counteract hair loss were based on increasing the blood flow and/or the supply of nutrients feeding the hair follicles. Techniques such as massage, shot boards, and nutritional supplementation have all met with small success in dealing with the problem, but for the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicles, bypassing the blood supply.

In order to understand how this new approach works, it is necessary to understand a bit of background information on hair growth. In general, hair grows through three cycles—anagen, catagen, and telogen. The anagen phase is when the hair bulb is actively forming new hair. The catagen phase is when the hair bulb is producing hair in minimal levels. The telogen phase is where the hair bulb has ceased producing hair and the hair shaft falls out. The cycles then start again to be repeated over a two to six year period. Published dermatological studies indicate that when the hair is in the anagen phase—most active growth stage—there is a concentration of complex carbohydrates called mucopolysaccharides in the vicinity of the hair bulb. When the hair is in the telogen phase, there is a reduced quantity of these mucopolysaccharides.

Crinos Laboratories—a 46-year-old pharmaceutical company—focused on these facts and developed a patented process to break down the molecular structure of these mucopolysaccharides so that the molecules were small enough to penetrate the microscopic space between the hair and the follicle and thereby nourish the hair bulb directly from a topical application. They have been selling their formulation in Europe with astounding success and "controlled tests with large numbers of patients, both male and female, have shown that regular..."
In addition to hair growth, the clinical studies indicated success with stopping further hair loss, reduction of dandruff, reduction of dandruff, and thickening of existing hair. In fact, 60% of product users are women who use the product for its thickening effect, to give their hair more body and fullness.

Due to the authenticity of these clinical results, in France, Ministry of Health issued a vast advertising the product to be sold with the claim, "Treatment for the loss of hair. Stimulates hair regrowth of hair" (visc F 217 F 187). This was the first time such a claim had been granted in France. Articles in the French press have called it "the treatment which cures baldness. "Almost a miracle," and "Baldness is conquered." The product has taken over 75% of the hair growth market in Europe and has become the third largest selling product in all categories of goods sold in French pharmacies, next to toothpaste and the L'Oréal skin care line. This is after just 3 years on the market!

Those of us who are ready to jump on the next plane to Paris needn't bother. (Unless you want to visit the Eiffel Tower). An improved version of the European product was introduced to the American marketplace last November, under the name of Nutrolin. Nutrolin is being marketed by Utah-based Nu Skin International on a "multilevel marketing" basis. This is a "hair fitness program" with claims such as "treats the scalp, creating an ideal environment for healthy hair," but with the promise of "no hair loss." It's running rampant on the benefits of Nutrolin and Nu Skin's stores are swarming.

All information points to Nutrolin as being the best remedy available for hair loss. Even the highly touted minoxidil—Upjohn Pharmaceutical's proposed hair restoration drug—seems to have a lower percentage of success than the European clinical studies, as well as having potential side effects. From a cost standpoint, surgical implants can run thousands of dollars and minoxidil treatment can cost upwards of $20,000 a year. Nutrolin comes in
NUTRIOL
News All Across America

Washington, D.C. - A new hair care product being tested with New Yorkers and other potential consumers is the Nutrilock Institute's hair growth supplement. The product, which contains a blend of vitamins and minerals, is intended to promote hair growth.

Lena Simons, Hair International News

For the last week there has been a revolution in the hair care industry. A new product called Nutrilock is entering the market and is causing quite a stir.

Jay Simons, Hair International News

Nutrilock is a revolutionary new hair care product that can provide dramatic results in just a few weeks. It is being tested in New York City and other major cities.

Phaedra Magazine

The effectiveness of these products becomes evident within a week. They are easy to use and do not require any special treatment.

Muscle Fitness Magazine

Nutrilock is a combination of all-natural ingredients designed to promote healthy hair growth. It contains vitamins, minerals, and herbs that work together to nourish the hair from the inside out.

Hairnet Magazine

Nutrilock is not only effective but also affordable. It is priced competitively with other hair care products on the market.

Hairnet Magazine

Nutrilock has been tested and reviewed by independent laboratories in the United States and abroad. The results are impressive and consistent.

Hairnet Magazine

Nutrilock is available at most health food stores and pharmacies. It is recommended for all hair types, including fine, thin, and damaged hair.

Hairnet Magazine

Nutrilock is a breakthrough in hair care technology. It is a natural alternative to chemical treatments and other expensive hair care products.

Nutrilock

Nutrilock is the answer to the hair loss problem. It is safe, effective, and affordable. It is changing the way people think about hair care.

Nutrilock

Nutrilock is a product that can help you achieve healthy, beautiful hair. It is made from all-natural ingredients and is gentle on the scalp.

Nutrilock

Nutrilock is available at all major retailers. It is a product that can make a difference in your life.

Nutrilock

Nutrilock is a product that can help you achieve healthy, beautiful hair. It is made from all-natural ingredients and is gentle on the scalp.

Nutrilock

Nutrilock is available at all major retailers. It is a product that can make a difference in your life.

Nutrilock

Nutrilock is a product that can help you achieve healthy, beautiful hair. It is made from all-natural ingredients and is gentle on the scalp.

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

NUTRITOL improves upon already proven effective formulas by adding 51 Amino Acids and vitamins.

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

NUTRITOL is a natural organic compound, not a drug.

NUTRITOL provides the support of professional trained consultants.

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

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

NUTRITOL does not require a prescription, or special user instructions.

NUTRITOL is perfect for straight, wavy, curly and setonchic.

NUTRITOL = the Affordance - Natural = Potent treatment for thinning hair.

There are 3 Nutritol treatment options for your selection:

1. REGULAR PLAN - an every-other-day treatment plan. Four boxes of Nutril, one bottle of shampoo and one bottle of conditioner.

2. ACCELERATED PLAN - for quicker results, an every-day treatment plan. Eight boxes of Nutril, two applications per box, one bottle of shampoo and one bottle of conditioner.

Make your appointment with a Hair Care Professional today!

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

Your Hair Care Professional is qualified to help you determine whether or not you are a suitable candidate to Nutril treatments.

Scientific breakthrough!

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

Timeliness is critical to stop abnormal hair loss. Early treatment saves the follicle!
Acclaim from People who Know About Nutriol

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

**Health World Magazine**

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

**Sports Fitness Magazine**

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

**David K. Brown**

**Hair Industry News**

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

**Lenny Simon**

**Hair International News**

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

**Health World Magazine**

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

**American Salon**

“The tricosaccharide (hydrolized mucopolysaccharide) molecule is small enough to penetrate into the follicle, but not through the follicle lining.”

**Muscle Fitness Magazine**

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

**Kim Upton**

**Boston Herald**

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

**Philadelphia Magazine**

“There have been significant results with no adverse reactions.”

**Washington Magazine**

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

**Trish Clenney Bro...**

**San Diego Magazine**

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

**Park Cities News**
**Dallas, Texas**
"You probably haven’t heard about NUTRIOL. But you will.... Who’s telling people it grows hair? The public, that’s who."

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

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

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

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

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**About Your Professional Hair Care Representative**

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

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

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

336  FEDERAL TRADE COMMISSION DECISIONS

Complaint

117 F.T.C.

Exciting Breakthroughs and Products that Penetrate and Provide Nutrition

Two respected pharmaceutical firms made possible now. Cinos Pharmaceuticals of Italy is the European source for effective natural hair restoration products. This international organization, established as a source of high blood pressure and heart medications, is committed to the use of biological pharmaceutical compounds found in the body, rather than drugs. Organic compounds that stimulate body chemistry are readily accepted by the body and eliminate side effects found in many drugs. Cinos, established in 1999, is a multi-national pharmaceutical firm. Its commitment to natural healing success is demonstrated in comprehensive and popular hair health products.

Cinos is responsible for a landmark breakthrough in the field of dermatology. Cinos’ natural fractions of polysaccharides, these small molecules of water soluble carbohydrates remove selenium, stimulate hair growth, and provide essential nutrients for the hair root. They do not seep through the follicle into the bloodstream, unlike many other drugs. This is why it is called as a "local conditioning agent," rather than a medication. The combination with a vasopressor (the Cinos products contain a small dose of vasopressor) and a corticosteroid (the Cinos products contain a small dose of corticosteroid) to absorb the harmful elements surrounding the hair root.

The first generation hair product marketed by Cinos is "Poterio". It has been distributed in Europe for over five years. Poterio was released in the United States in 1995 first as a hair tonic product and then through major department store outlets. A recent test of the product in France indicates that 95% of the participants experienced total hair growth, 87% hair growth and 30% showed no effect.

Nurisol, a second Cinos hair restoration product, is marketed in the United States. Tests indicate a 70% greater response to Nurisol treatment than to conventional treatments. Nurisol is a mixture of nutrients and vitamins designed to stimulate hair growth and provide nourishment to the hair root. It is available in the United States and is being marketed worldwide. Nurisol is also available in the United States and is being marketed worldwide.

Even greater success has been reported with Nurisol treatments supervised by trained Hair Care Professional representatives. In fact, 95% of our clients treated under the supervision of our representatives have experienced some degree of success.

Loniten, a vasopressor is an FDA approved blood pressure medication developed by Upjohn Pharmaceutical Company in the United States. Patients receiving this treatment, it was noted, grew extra hair. Upjohn isolated minoxidil, the medication's active ingredient, and transformed it into liquid form and it could be rubbed on the scalp. One third of the people who volunteered to test minoxidil showed enough "hair that it was visible across the room." Another one grew new hair and the balance maintained the 60% amount of hair. Because of its minor side effects, it is prescribed only.

A highly reduced minoxidil solution, Porefin, may soon be distributed over the counter at chemist. Porefin is an effective activation that produces varying amounts of hair.
About Hair Health and Hair Loss

The damage is compounded by making the problem worse the longer it persists. Unfortunately, this is not a cure. The body can work to restore hair growth. However, it is possible to manually and surgically repair the damaged and inflected hair follicles to restore health. While it is possible to speed up the process, however, it cannot be reversed.

The root of the problem lies in understanding the nature of hair. It is a living, growing part of the body. It is made of keratin, a protein found in skin, nails, and teeth. The hair shaft is made up of dead cells. Once a hair is dead, it cannot be replaced. A review of how a hair follicle functions will give insight into understanding new treatment programs and evaluating their effectiveness.

A hair follicle contains a bundle of hair, called a hair bulb. Any given time a hair bulb may be in one of three phases: 

1. **Anagen Phase** - when it actively forms new hair; 
2. **Catagen Phase** - when it produces hair at a slower rate; 
3. **Telogen Phase** - when it has ceased production.

Each hair bulb passes through these phases at different times of the year. In fact, the average hair bulb completes this phase cycle approximately once every five years. A healthy hair bulb falls out at the rate of approximately thirty-five strands a day.

A healthy hair bulb provides the soil that supports the growth of new hair. It is important for the health of the skin, hair, and nails. A number of factors may disturb the flow of blood and the production of sebum and destroy the hair bulb. These include diet, stress, disease, pregnancy, and excessive bathing, cracking, and trauma. These factors cause the hair bulb to become dry and the follicle to die. The root of the problem lies in understanding the nature of hair. It is a living, growing part of the body. It is made of keratin, a protein found in skin, nails, and teeth. The hair shaft is made up of dead cells. Once a hair is dead, it cannot be replaced. A review of how a hair follicle functions will give insight into understanding new treatment programs and evaluating their effectiveness.

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A healthy hair bulb provides the soil that supports the growth of new hair. It is important for the health of the skin, hair, and nails. A number of factors may distur...
As you age, you most likely find that your hair is growing thinner, your nails lack luster and healthy growth, and your eyelashes are deprived of nutrition. Yes, your natural beauty fades, all caused basically by undernourishment.

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The Nu Skin Theory

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

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

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

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

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

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

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

Summary ---

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

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

In just one year, NuSkin grew into a multi-million dollar business. Today, Nu Skin continues to grow and expand with limitless career opportunities.
When you look at yourself in the mirror do you notice that your hair is thinning or that it is damaged and lifeless? Have you given up hope that you can change this situation? Until recently there wasn’t much you would do. But now with the introduction of NUTRIOL, you have an opportunity to dramatically improve the condition and appearance of your hair.

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

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

This insures the highest possible level of potency.

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

WHAT CAUSES THINNING HAIR?

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

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

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

DOES NUTRIOL WORK? READ ON...
History of a Legend

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

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

About 10 years ago, Crinos decided to develop a line of cosmetics based on their biological technologies. NUTRIOL's little brother Foltene was launched in Europe in 1981 using Natural Polysaccharides as its' active ingredient.
By 1982, it had won the award for the best new product introduction in Europe. It quickly became the number 1 product in its' category in all the introduced European countries. 1.2 Million boxes of product were sold in 1983 in France, with a 65% reorder rate demonstrating a high degree of consumer satisfaction. Clinical trials performed by a number of leading European dermatologists confirmed the efficacy of the product. In consequence the French Ministry of Health authorized the following claim for the product:

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

Nu Skin International, Inc., has the exclusive contract to market "NUTRIOL" in the U.S.
A patent was issued to Crinos Industria, Italy on November 4, 1986. This patent is #1213522 - a Canadian patent:

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

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

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

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

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

Trichosaccharides - Definition
Tissular, Polyanionic Glycopeptidic Complex.

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

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

Trichosaccharides and the Hair.
The correlation between tissue mucopolysaccharides (AMPS) with the hair growth cycle is now well known. Qualified studies have been performed on this matter. The considerable quantitative fluctuations of mucopolysaccharides in the skin apparently relate to the stages of the hair growth cycle. All fractions of mucopolysaccharides behave similarly: high on days of new formation (Anagen Phase), they drop
Hair Differentiation (Catagen Phase). Transition and Rest (Telogen Phase). The greatest shifts in AMPS material are seen during the first week of the Anagen Phase.

Hormones and Ageing:
A decrease occurs when there is a diminution and/or alteration of microsomes (SMPS or GAGS) in the connective tissue. This leads to a morphological alteration of the connective tissue and to a reduction of microcirculation, lipid oxidation, tissue stress, and finally, death of the follicle.

Various for Development:
1. To bring SMPS in contact with the subcutaneous tissue of the scalp. 2. To increase the sulfon content to four follicle and promote hair growth. 3. To improve microcirculation.

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

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

Tentative Trial:
Several extensive studies have been performed and are readily available.

Clinical and Laboratory Tests:
A Common Sensibilization Test: Dr. Pons, Saint Louis Hospital, Paris, October 1981.
A Local Tolerance Test in Rabbits: IRHE (Institut Français de Recherches et Essai Biologiques), December 1980.

Clinical Studies:
A Dr. Bouchard, Saint Louis Hospital, Paris, December 1982.
A Dr. Hunchy, July 1980.
A Dr. Augee, Assoc. pour le Developpement de la Recherche Dermatologique, Centre Hospitalier, Besancon Cedex, March 1984.

A Trichosaccharide - Toxicological Study: Milan University, Fartula di Scienze Farmacologica Applicata, Prof. F. Pecini, June 1984.

A Esame Biologico della Pelle: Dr. Cough, Trattati per Via Dermale per 30 Giorni con Trichosaccharide, Instituto di Ricerche Biomediche "Antoine Maseri", March 1980.

A Flax, Megetto, Giacomini, Hair Growth on Rabbit’s skin, February 1984.

A Gagmi, Moretti, Trichogenetic Stimulating Activity on Rabbits, August 1983.


A Radelli Ravello, Cervigni, Negri, Trials on Man Milan University, 1st Dermatological Clinic.
RESULTS

Hair Weight:
The average increase in weight of the hairs on the
back head was 1.5 mg per week compared to the no
back head group's gain weight 1.0 mg per week. The difference is
not statistically significant.

Number of Functioning Hair Bulbs:
There were statistically more functioning bulbs on the back head
than on the control head.

Length of Hair:
The length was statistically greater (p < 0.01) on the back head
than on the control head.

CONCLUSIONS

The number of functioning hair bulbs is greater
hair growth in the treated group is substantially increased
in the back head group.

Nutrolin -- Minoxidil -- Foltene

Chances are you've already heard of the new "Miracle" baldness cure that have hit the market in the past year. Here's the rundown on three such cures:

MINOXIDIL

Here's what Upjohn learned from its year-long study:

- Minoxidil may reduce hair loss.
- It will not reverse hair loss.
- It may not get any stronger.

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

- It will slow down follicle loss. Minoxidil worked best on those subjects who hadn't lost much hair, who were just starting to go bald. This seems to mean that the time to do something about the problem is when you first notice it.
- It will slow down, but not stop, hair loss. Stop the Minoxidil application and your new hair will fall out. Once you start taking Minoxidil, you're a user for life, it's like insulin or crack.

A drug that causes hair loss, and that you have to keep taking forever. Sounds like a manufacturer's dream. And, in fact, Upjohn is looking for an increase of as much as 25 percent in its $2 billion annual sales. "Minoxidil represents the largest potential product in pharmaceutical history," says one industry analyst. "It will be a billion dollar product."
The trichomonde (trichophytic micropolymered sulfonate) molecule is small enough to penetrate into the follicle. It is not a medication, but rather a 'topical conditioning agent.' The molecule is not small enough to enter the follicle easily and become absorbed by the surrounding tissue and blood. That's why Follicle is used as a topical conditioning agent rather than a medication.

Follicle is a new product in the United States, but in France it is the third largest selling product in pharmacies, and Nutrilab Laboratories has marketed it. The Nutrilab Trichomonde molecule can be used to treat scalp conditions. The Nutrilab Trichomonde molecule can be used to treat scalp conditions.
Does Nutriol work?
- Users claim the following figure for its users:
  - 100% notice
  - 75% growth
  - 50% hair

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

The Market Potential is Astronomical!
- A Wall Street Journal stated: The potential market size for a hair restoration product in the USA is $1 - $5 billion annually.
- America experiencing health & fitness craze. Everyone wants to look good.
- There are presently few in this market.
- The users of NUTRIOL are emotional about the product. They gain positive visual results with usage.
- It was not developed in someone's garage!!! Its background lives with a world-renowned pharmaceutical company with a history of successful bio-technologically based compounds in the ethical drug field.
- Scientific Data back the product.

THE BIG DIFFERENCE BETWEEN NUTRIOL AND OTHER PRODUCTS...
You Can Choose To Participate In This Once In A Lifetime Opportunity!!!

### Nutriol vs. Foltene
Simple Comparison Chart

<table>
<thead>
<tr>
<th>INGREDIENTS</th>
<th>NUTRIOL</th>
<th>FOLTENE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>7 ml</td>
<td>7 ml</td>
</tr>
<tr>
<td>Polysaccharides</td>
<td>105 mg</td>
<td>45 mg</td>
</tr>
<tr>
<td>Vasodilators</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Vitamin</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Amino Acids</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Container</td>
<td>12 Vials</td>
<td>10 Vials</td>
</tr>
</tbody>
</table>

Clearly seen in the chart above, NUTRIOL is far advanced in hair fitness, with twice the polysaccharides, and is the ONLY product with Amino Acids and Vitamin to nourish the entire scalp, hair, scalp and follicle area, plus personalized service!
Do You Have Your Head in the Sand About Hair Growth & Hair Loss?

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

Hair has a Lifecycle:

Anagen Phase: When the hair bulb is active in forming new hair. In this phase, a high concentration of complex carbohydrates called monosaccharides is found in the hair bulb.

Catagen Phase: The tail end of the cycle, hair is pushed to minimal levels.

Telogen Phase: The level of polysaccharides decreases and the hair stops growing and tauts to fall out.

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

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

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

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

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

Hair loss is caused by a number of reasons. These include diet, stress, disease, heredity, hormones and styling can also damage the hair. Blood flow may be restricted to the scalp for many reasons, especially when oxygen and other nutrients aren't available to sufficiently nourish the hair bulb. The Sebaceous gland may over secrete or under secrete sebum. These conditions can either break the hair bulb or "lock itself" into the hair root and sabotage it. This results in hair fall out. Good blood supply to the follicle is NOT enough. Blood must contain the proper nutrients to nourish the hair bulb and be in a form that can be used by the hair follicle.
For the first time there is a revolutionary new approach to dealing with hair loss that can provide permanent results to the follicle. All information points to Nutrid as being the best remedy available for hair loss. We can expect Nutrid to become a household word over the next couple of years.

You probably haven’t heard about Nutrid. But you will. It’s telling people it grows hair. The people today’s who.

Nutrid Nail

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

Nutrid Eyelash

It has been said that the eye is the window to the soul. Nourish and invigorate your eyelashes with NUTRID EYELASH. Apply the natural liquid to your lashes twice a day. Nutrid revives damaged, weak eyelashes with a high concentration of natural polysaccharides, a biological substance normally found in the eyelash matrix cells. Watch as your eyelashes grow more attractive, more luxuriant, and healthier. This formula is specifically designed to keep eyelashes nourished, protected, and naturally beautiful.

Nutrid Mascara

Lovely, lush, and lashes is what Nutrid Mascara is all about. Rich in texture and smooth in application, NUTRID MASCARA provides a beautiful natural accent for your eyes. Each compound in the formula has been carefully selected to ensure that it complements and enhances your natural body chemistry. This method and intricate chemically processed is expensive, but the results are priceless. The regular use of Nutrid Mascara invigorates protection, nourishment, and beautiful eyes. The fact that it contains real silk accounts for its smooth as silk application.
Nutriol Shampoo

To help improve your chances of success with NUTRIOL, Nu Skin has introduced the "ultimate hair and scalp cleanser"... NUTRIOL Shampoo contains potent penumbable polysaccharides, vitamins and amino acids to insure synergistic action with NUTRIOL hair tonics preparation. This unique combination of ingredients in NUTRIOL Shampoo allows your hair to remain clean and nourished after each washing.

Nu Skin Total Performance Shampoo

For daily hair care, Nu Skin developed the Total Performance Shampoo. Both Formula A and B are pH balanced and picked with vital nutrients and nutrients essential for healthy, great looking hair.

Nu Skin Automatic Hair Conditioner

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

Let's Review...

- Cirono International has been in business since 1942.
- Cirono is a serious pharmaceutical company with emphasis on ethical (prescription) drugs.
- Cirono's basic technology is based on biological, active principles biologically extractable, i.e., not on synthetic or plant derivatives.
- Cirono is well known in its field.
- Since the 1950s, studies showed Natural Polysaccharides had the direct effect of growing hair on rabbits.
- It is the only product given vine from Ministries of Health in two countries (France and Italy) to be marketed with the claim "will retard hair loss and stimulate hair growth".
- NUTRIOL is an improved formula from its first generation product, with 51 essential amino acids, vitamins and twice the amount of polysaccharides.
- Scientific Testing and Proven Track Record since 1981 back its claims.
- U.S. Market is over 5 times as large as Europe, and production is geared up to supply 50 million boxes annually.
- Diminished levels of mucopolysaccharides in a major cause of hair loss.
- Patented Process--A unique patented process for extracting natural penetrating polysaccharides yields molecules \( \Delta \) 1 to be readily absorbed through the cells of the hair follicles.

Polysaccharides found in other products are in raw form, too.
Nu Skin was NOT satisfied to just "reintroduce" the European hair fitness product to the United States. Instead they teamed up with researchers to "upgrade" the European formula to their uncompromising standards.

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

- NUTRIOL is NOT a drug.
- NUTRIOL is naturally formulated.
- NUTRIOL is easy to use and is not messy.
- NUTRIOL has an incredible background research.
- NUTRIOL has an incredibly EXCITED following!
- NUTRIOL is marketed in a fashion that YOU have the opportunity of participating in!

"Confessions..."

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

Dr. William T.
Black, M.D.
Surgeon &
Family Practice
A Great Hair Professional...

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

David J. Robinson, President
International Hair Consultants

A Make-Over Salon

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

Jerry and Sandy Rayburn

Nailed My Mood with False Eyelashes!

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

Linda S.
Hollywood, California

Nails Are Gorgeous...Thanks to Nutriol Nail!

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

Lorraine S.
Kansas City, MO

My Nails are Growing Like Crazy!

I LOVE my NUTRIOL NAIL Fitness Cream! I have tried so many times to grow my own nails, but they have always been short, weak, and ugly with ridges...I decided to give Nutriol Nails a try. My nails are shiny and STRONG like never before! And the ridges are unnoticeable.

Kelly R.
Cortez, CO
Thanks to NUTRIOL, No More Problems...

I have had problems for 45 years, and was controlled by medication prescribed by my dermatologist. It smelled awful and was very gross, but it never cured my problems. I had a home tester NUTRIOL and was very skeptical, but am happy to say now that I'm very pleased with it. After four boxes, my scalp was completely cleared, and my hair was lovely.

Certified Aesthetician, Denver, CO

Edi Lueders

Male Pattern Baldness... No Problem for Me!

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

Edi Lueders

Nutox Nutritive Superior Marketing Plan

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

H. W. Kimsey, PhD
Economics Professor, BYU
former Professor at Pepperdine

Fred Coppa, Hair Professional

Color Photographs Available Through Your Distributor
See Testimonial on Page 29

FRED CAPPs BEFORE

FRED CAPPs AFTER

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

Your Independent Nu Skin Distributor
Complaint

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

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

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

As you are aware, every time you pick up a magazine or a newspaper, something is mentioned about our new wonder drugs to stop hair loss and promote new growth, or in some cases outrageous claims are made about total regrowth of hair on completely bald men and women. Well, when I hear total regrowth, and outrageous claims, I for one do not put much stock in these claims.

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

If you are involved in the hair replacement business, you have heard more than a few times, a customer questioning you about the so-called wonder drugs for hair growth, and if you're like me, you try to be truthful with the customer, and tell him there is no such thing as pie in the sky. Well, this is what I used to tell them. There has been a major breakthrough in a product that drastically reduces hair loss, and in many cases, actually regenerates new growth and thickens a person's normal hair. This product, known as Nutrial, comes out of Como, Italy, from a large drug company known as Crinos which has dollar sales in excess of 50 million dollars. Crinos has some 12 clinical studies since 1982.
involving some 500 men and women with a success rate of 75% of all tested greatly reduced their hair loss, all but eliminated baldness and psoriasis problems, had substantial hair regrowth, and enjoy a healthy head of beautiful hair.

It all sounds too good to be true, doesn't it? Well, I personally thought the same thing when I first heard about Nutriol. But... then we go again, another snake oil, and being adventurous, I gave it a try. I followed the directions, using the product every other day, massaging it into my balding front and I even had my partner Fred take a snap shot of my head before starting the program. Well, by the end of the 3rd month, I realized that my hair felt thicker and more manageable. I also noticed that the excessive hair loss came to a standstill and when combed my hair, I was able to obtain a cosmetically acceptable style without my front being so thin. This pleased me greatly, so after the 90 days, I took another picture of my head. After having the pictures developed, I almost fell over when I realized that what had been snake oil was for real—I actually grew hair—not fuzz, but real hair, that I could comb and have cut... What a nice feeling for a guy that thought he was going to need a hairpiece in a very short time.

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

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

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

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

News All Across America

A person is reducing abnormal hair loss and notices the hair thinning out. NUTRIOL hair can help correct this problem, and in many cases regenerate growth.

Lenny Simon
Hair International News

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

Health World Magazine
Winter 86-87 Edition

have about 30 percent more hair now than I did before using NUTRIOL. However, the rate of hair loss is noticeably less than before I started using NUTRIOL. I know the product works.

David K. Brown
Hair Industry News

Yes, I can provide hair samples.

Dr. Nicholas Bruno
Providence, RI, Journal

Many users have been satisfied with the results.

ROBB Report
January 1986

For additional information contact your NJ SKIN representative.
STOP LOSING HAIR
ASK HOW
PERFECT
SUPER BODY
SUPER VIRILITY
SUPER HEALTH
What it takes
It's all here!

SEXUAL
FITNESS
Begins with
exercise

FORCE
OF LIFE
Use it to live
with zest!
Answers

ANTI-AGING
STRATEGIES
Elite Bodybuilders Show
You How to

GIANT COURSES
• Bigger Arms
• Larger Chest
• Shapely Back
• Creating Power

4TH ANNUAL
SWIMSUITS ISSUE

EXHIBIT H
from various hormone imbalances. All of which stress can be traced back to stress where stress is the result of stress. To combat stress, look for a supplement that is strongly associated with the American Heart Association. People have been showing that it has more than one mechanism. The latest hormone is L-tyrosinase, which is a hormone that has been shown to help reduce stress. These supplements are effective in reducing stress and improving mood.

The difference between supplements is that L-tyrosinase is known to help reduce stress, improve mood, and improve cognitive function. It has been shown to improve mood, reduce stress, and improve memory. This is due to its ability to increase the production of neurotransmitters, which are chemicals that are released by neurons to communicate with each other. L-tyrosinase also has antioxidant properties, which can help protect the body from damage caused by free radicals.

The L-tyrosinase supplement is available in a variety of forms, including capsules, tablets, and drinks. It is generally safe to take, but individuals with certain medical conditions should consult a healthcare professional before taking it. Some people may experience side effects such as headache, insomnia, or anxiety.

The L-tyrosinase supplement is not a cure for stress, but it can help reduce its symptoms and improve overall well-being. It is a natural supplement that can be easily incorporated into a lifestyle, and it is available in many convenient forms. By taking L-tyrosinase, individuals can take control of their stress levels and improve their quality of life.
Over the past several years, I have been watching my hair grow thinner and shorter and becoming very dry and brittle. On December 15th, 1987, I started using NUTRIL [®]. In just seven months, my hair has become thicker and fuller. I am also experiencing new growth along my hairline. NUTRIL has also improved the texture of my hair. My hair now grows longer and has become much softer.

NUTRIL is the best hair care product I have ever used.

Thank you NU Skin! I recommend NUTRIL to anyone with thinning hair. I would just like to build more body and sheen into my hair.

[Signature]

Distributor Director

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

Example: After the sale.

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

example: No sale

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

Thanks, I really appreciate it.

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

(you: Janet, Hi! How have you been? (small talk) Janet, guess what? I just started a new job with a marketing company and one of their products is a dynamic skin care line (for hair product, or nutritional line, or subliminal tape line). It's the most expensive manufactured skin care in existence in the world, and priced at less than Lancome or Clinique. Their non-surgical face lift actually remove wrinkles better than Resin-A.

It's exciting. I wanted to ask you a favor. Can you give me just four names of friends or business associates I could show the line to? Someone who would like to look 10 years younger.

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

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

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


(you: Janet Hi! How are you doing?

Janet: Great. What have you been up to?

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

EXHIBIT L - VIDEO CASSETTE

EXHIBIT M - VIDEO CASSETTE
GET RID OF WRINKLES!

STOP

Ask about a FREE

NON-SURGICAL FACE-LIFT

Demonstration

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

When my daughter wanted to give me a NuSkin face-lift, I chuckled: "Just look at me, Ma!" I am 84 years old, and I have never had a face-lift. I find I am getting younger and younger every day. I am so happy with the results that I have recommended it to all of my friends. I am 84 years old, and I feel 40 years younger. Thank you, NuSkin, for giving me my youth back!"
On July 8, 1988 I received second and third degree burns to my legs. Doctors told me that I would be bedridden for 4-8 months, not able to work or enjoy the rest of the summer because of the heat of the sun. They also said that I would need skin grafting on my right leg from the knee down, and that my upper left leg would be scarred. This was very devastating to me.

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

On July 22, 1988 I was invited to a seminar, so I rented a wheelchair and attended. They talked about a product called CELLTREX made with AVIAN CREAM. I was given a sample and started to use it. This product has been tested on burn victims with success in healing tissue. I started to use the CELLTREX on a small area of my upper right leg, and in three days I noticed what looked like little bubbles of skin forming on my leg. I was to go see the doctor on Monday because they had my surgery scheduled for Tuesday. When I saw the doctor he examined my leg and said there looked to be skin growing and your leg may not need grafting. So we'll postpone the surgery until next Tuesday, so we can watch and see what happens to the rest of the leg. "You will need grafting, but not as much as we first thought." I started to use the CELLTREX further down my leg now and the same thing began to happen. They postponed all three surgeries because all of the skin came back in less than 30 days.

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

I am thrilled with the results from CELLTREX and the other products. I have used the REFRESHING CREAM and the ENHANCER.

Thanks to my new products, I'm up and running...
Stop walking past a fortune

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

We Need To Talk!
Call Now
(816) 464-8150
24 Hour Recorded Message
EXAMPLE: SCRIPT FOR YOUR "WANT AD'S" ANSWERING MACHINE

YOUR MAIN REACTION MAY BE ONE OF SKEPTICISM. LET ME ASSURE YOU I HAVE BETTER THINGS TO DO WITH MY TIME AND MONEY THAN TO WASTE TIME WITH PHONE ADVERTISING AND MISPLACED HUMOR.

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

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

LET US WORRY THIS IS NOT AWAY, HERBAL LIFE, MARY KAY, WATER UNITS OR ANY OTHER SATURATED PROGRAM. WHAT THIS IS, IS A METHOD OF WHAT FINANCIAL EXPERTS NATIONWIDE ARE CALLING THE GREATEST OPPORTUNITY IN THE LAST 15 YEARS.

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

THERE IS ONE CAUTION, THAT IS YOU MUST MEET WITH ME FOR ONE HOUR FOR A NO PRESSURE, NO HYPE, FACT FINDING INTERVIEW. DURING THAT ONE HOUR WE WILL DISCUSS THE OPPORTUNITY. FOLKS THIS IS FOR REAL. YOU MAY THINK THIS IS A JOKE. SADLY SPEAKING OFTEN THE JOKE IS ON THOSE WHO WILLINGLY GIVE UP 20 YEARS OF THEIR LIVES BUILDING SOMEONE ELSE'S WEALTH.

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

"I'M WORKING WITH A BUSINESS CONCEPT THAT IS SWEETING THE COUNTRY. WE HAVE ALREADY SET UP BUSINESSES IN CHICAGO, MILWAUKEE, MINNEAPOLIS, CALIFORNIA, AND HAWAII (DELETE YOUR AREA IF IT IS ONE OF THESE). BASED ON WHAT IS HAPPENING THERE, THE PEOPLE THAT WE START WORKING WITH LOCALLY WILL EARN IN EXCESS OF $60,000-$80,000 A YEAR WITHOUT JERPODIZING THEIR PRESENT INCOME. LOOKING FOR 5 KEY PEOPLE. I DON'T KNOW IF YOU'RE ONE OF THEM. BUT COULDN'T TELL YOU FIRST, DOES THIS SOUND LIKE SOMETHING YOU'D LIKE TO HEAR MORE ABOUT?"

YOU MAY BE ABLE TO STOP HERE AND JUST GET A FIRM COMMITMENT TO GET TOGETHER, OR YOU MAY NEED TO GIVE THEM SOME MORE INFORMATION. DO NOT DEViate FROM THIS SCRIPT. REMEMBER, CREATE CURiosity, DO NOT SATISFY!!!

"HAVE YOU HEARD OF UPJUH COMPANY? THEY HAVE A PRODUCT CALLED "NOXIDIL" WHICH HAS JUST RECENTLY BEEN APPROVED BY THE FDA. UPJUH HAD ALREADY SPENT 2 BILLION DOLLARS ON THIS PRODUCT BEFORE IT HAS EVEN CAME OUT!!! CHEAPER, IT IS A PRESCRIPTION DRUG, IS ONLY 20% EFFECTIVE, AND HAS A LOT OF REPORTED SIDE EFFECTS. MEANWHILE IN ITALY, A 40 YEAR OLD PHARMACEUTICAL COMPANY HAS A PRODUCT THAT IS OVER 95% EFFECTIVE AND HAS NO SIDE EFFECTS. IT IS ALREADY THE #1 SELLING PRODUCT IN ENGLAND, #2 IN FRANCE, ITALY, GREECE, SPAIN, AND PORTUGAL. IT IS FDA LISTED HERE IN THE U.S. AS A COSMETIC. WE ARE WORKING WITH THE COMPANY THAT HAS EXCLUSIVE MARKETING RIGHTS HERE IN THE U.S. THE SAME PATENTED PROCESS FOR THE HAIR, ALSO HELPS EYELASHES AND FINGER-NAILS. IT'S A HOMEREPIC FACELIFT THAT HELPS FINE LINES AND WRINKLES AND IS MAKING PEOPLE LOOK YEARS YOUNGER IN JUST 1 OR 2 APPLICATIONS.

I REALLY CAN'T TELL YOU ANYMORE, BECAUSE WHAT I HAVE TO SHOW YOU IS IN VISUAL. IT ALL TAKES ABOUT 15 MINUTES. IF I'M COMPLETE...

"WHAT'S ALL YOU'VE LOST, BUT IF I'M RIGHT, DON'T YOU CHERISH YOURSELF TO FIND OUT?"

WE'RE SETTING TOGETHER TO DISCUSS THE POSSIBILITY OF OPENING UP THE AREA ON W______, SINCE I'M ONLY LOOKING FOR 5 KEY PEOPLE. NEED TO KNOW YOU ARE GOING TO DEFINITELY BE THERE!!! CAN I CALL YOU BEING THERE? CAN I COUNT ON YOUR SPouse BEING THERE? IF SO, I'VE GOT IT ON MY CALENDAR. DO YOU HAVE IT ON YOURS?? SEE YOU THEN!!!
DECISION AND ORDER

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

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

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

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

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

3. Respondent Clara McDermott is an officer and director of corporate respondent CJM, Inc. Individually or in concert with others, she formulates, directs, and controls the acts and practices of CJM, Inc., including the acts and practices alleged in the complaint.
attached hereto. Her principal office or place of business is the same as that of CJM, Inc.

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

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

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

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

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

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

ORDER

DEFINITIONS

For purposes of this order:

1. “Substantially similar hair loss treatment product or service” shall mean any product or service that is advertised or intended for sale over-the-counter to treat, cure or curtail hair loss and which contains or purportedly contains polysaccharides or any extract thereof.
2. “Substantially similar facial treatment product or service” shall mean any product or service that is advertised or intended for sale over-the-counter to remove facial wrinkles and that contains or purportedly contains albumin or any extract thereof.

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

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

I.

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

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

1. The use of the product or service can or will stop, prevent, cure, relieve, reverse or reduce hair loss;
2. The use of the product or service can or will promote the growth of hair where hair has already been lost;
3. The product or service is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss; or
4. Competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth.

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

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

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

II.

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

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

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

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

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

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

III.

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

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

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

IV.

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

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

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

V.

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

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

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

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

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

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

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

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

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

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

VII.

*It is further ordered*, That respondents CJM, Inc., CST Management, Inc., CK&Co, Inc., Clara McDermott, Craig Tillotson, and Craig Bryson shall:
A. Within thirty (30) days from the effective date of this order deliver a dated and signed notification letter in the form set forth in Appendix A to this order to each of their officers, agents, representatives, employees, and present distributors, other than those persons whom Nu Skin is required to notify pursuant to part VI.A and B above.

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

VIII.

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

IX.

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

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

XI.

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

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

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

XII.

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

XIII.

It is further ordered, That respondents CJM, Inc., CST Management, Inc., and CK&C, Inc., their successors and assigns, and their officers, and Clara McDermott, Craig Tillotson and Craig Bryson, individually and as officers and directors of said corporations, shall pay to the Federal Trade Commission, by cashier’s check or certified check made payable to the Federal Trade Commission and delivered to the Regional Director, Federal Trade Commission, 55 East Monroe Street, Suite 1437, Chicago, Illinois, the sum of two hundred twenty five thousand dollars ($225,000). The respondents shall make this payment on or before the tenth day following the date this order becomes final. In the event of default on any obligation to make payment under this section, interest, computed pursuant to 28 U.S.C. 1961(a), shall accrue from the date of default to the date of payment. The funds paid by the individual respondents shall, in the discretion of the Federal Trade Commission, be used by the Commission to provide direct redress to purchasers of the Nutriol, Face Lift, and Celltrix products. If the Federal Trade Commission determines, in its sole discretion, that redress to purchasers of these products is impracticable or otherwise unwarranted, any funds not so used shall be paid to the United States Treasury. The respondents shall be notified as to how the funds are
distributed, but shall have no right to contest the manner of
distribution chosen by the Commission.

APPENDIX A

Dear Officer, Agent, Representative, Employee, Distributor:

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

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

Specifically, the order prohibits the respondents from claiming that:

1. Nutriol or any substantially similar product or service (a) can or will stop,
   prevent, cure, relieve, reverse or reduce hair loss; (b) can or will promote the
growth of hair where hair has already been lost; or (c) is as effective as, or more
effective than, the prescription drug Minoxidil in the treatment of hair loss;

2. Competent and reliable data show that Nutriol or any substantially similar
   product or service is effective in stopping hair loss and promoting hair growth;

3. Face Lift or any substantially similar product or service (a) can or will
   permanently remove facial wrinkles; or (b) is as effective as, or more effective than,
   the prescription drug Tretinoin (currently marketed as Retin-A) in the removal of
   facial wrinkles; and

4. Celltrex or any substantially similar product or service will promote the
   healing of third degree burns.
In connection with any other product or service, the order prohibits the respondents from representing:

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

2. That competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth; and

3. The efficacy of the product or service in the treatment of facial wrinkles, unless the claim is true and, at the time of making the claim, it possesses and relies upon competent and reliable scientific evidence that substantiates the claim.

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

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

Finally, the order prohibits the respondents from:

1. Misrepresenting the past, present, or future profits, earnings, income, or sales of any person in any distribution, sales or marketing plan; and

2. Representing that distributors earn or achieve any stated amount of profits, earnings, income, or sales in excess of the average profits, earnings, income, or sales of all distributors unless in conjunction therewith the average profits, earnings, income, or sales are clearly and conspicuously disclosed, and the percent of all distributors who actually achieved such stated profits, earnings, income, or sales is clearly and conspicuously disclosed.

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

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

Very truly yours,

[respondent’s name]
IN THE MATTER OF

THE KEDS CORPORATION

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

Docket C-3490. Complaint, April 1, 1994--Decision, April 1, 1994

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

Appearances

For the Commission: Michael J. Bloom, Rhonda J. McLean and Alan B. Loughnan.
For the respondent: Richard E. Carlton and Darryl Libow, Sullivan & Cromwell, New York, N.Y.

COMPLAINT

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

PARAGRAPh 1. Respondent is a corporation organized, existing and doing business under and by virtue of the laws of the State of Massachusetts, with its principal place of business located at Five Cambridge Center, Cambridge, Massachusetts.
PAR. 2. Respondent is now, and for some time has been, engaged in the offering for sale, sale, and distribution of athletic or casual footwear to retail dealers located throughout the United States, including many of the nation's largest retail chains.

PAR. 3. Keds maintains, and has maintained, a substantial course of business, including the acts or practices alleged in the complaint, which are in or affect commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In connection with the sale and distribution of Keds products, respondent, in combination, agreement and understanding with certain of its dealers, has engaged in a course of conduct to maintain the resale prices at which certain of its dealers sell certain of its products.

PAR. 5. The purpose, effect, tendency, or capacity of the acts and practices described in paragraph four are and have been to restrain trade unreasonably and hinder competition in the sale of athletic or casual footwear in the United States, and to deprive consumers of the benefits of competition in the following ways, among others:

(a) Prices to consumers of Keds products have been increased; and
(b) Price competition among retail dealers with respect to the sale of Keds products has been restricted.

PAR. 6. The aforesaid acts and practices constitute unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45. These acts and practices are continuing and will continue in the absence of the relief requested.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the New York Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with
violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent The Keds Corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Massachusetts. The mailing address and principal place of business of respondent is: Five Cambridge Center, Cambridge, Massachusetts. Respondent is a wholly-owned subsidiary of The Stride-Rite Corporation, with its principal place of business in Cambridge, Massachusetts.

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

ORDER

I.

*It is ordered,* That for the purpose of this order, the following definitions shall apply:
(A) "Keds" or "respondent" means The Keds Corporation, its predecessors, subsidiaries, divisions, groups, and affiliates controlled by The Keds Corporation, and their respective directors, officers, employees, agents, and representatives, and their respective successors and assigns.

(B) "Product" means any athletic or casual footwear items which are manufactured, offered for sale or sold by respondent to dealers.

(C) "Dealer" means any person, corporation or entity not owned by The Keds Corporation or by any entity owned or controlled by Keds that in the course of its business sells any product.

(D) "Resale Price" means any price, price floor, minimum price, maximum discount, price range, or any mark-up formula or margin of profit used by any dealer for pricing any product. "Resale price" includes, but is not limited to, any suggested, established, or customary resale price.

II.

It is further ordered, That Keds, directly or indirectly, or through any corporation, subsidiary, division or other device, in connection with the manufacturing, offering for sale, sale or distribution of any product in or affecting "commerce" as defined by the Federal Trade Commission Act, do forthwith cease and desist from:

(A) Fixing, controlling, or maintaining, directly or indirectly, the resale price at which any dealer may advertise, promote, offer for sale or sell any product.

(B) Requiring, coercing, or otherwise pressuring any dealer, directly or indirectly, to maintain, adopt, or adhere to any resale price.

(C) Securing or attempting to secure, directly or indirectly, any commitment or assurance from any dealer concerning the resale price at which the dealer may advertise, promote, offer for sale or sell any product.

(D) Requiring, requesting or suggesting, directly or indirectly, that any dealer report the identity of other dealers who advertise, promote, offer for sale or sell any product below any resale price.
III.

It is further ordered, That, for a period of five (5) years from the date on which this order becomes final, Keds shall clearly and conspicuously state the following on any list, advertising, book, catalogue, or promotional material where it has suggested any resale price to any dealer:

ALTHOUGH THE KEDS CORPORATION MAY SUGGEST RESALE PRICES FOR PRODUCTS, RETAILERS ARE FREE TO DETERMINE ON THEIR OWN THE PRICES AT WHICH THEY WILL ADVERTISE AND SELL KEDS PRODUCTS.

IV.

It is further ordered, That, within thirty (30) days after the date on which this order becomes final, Keds shall mail by first class mail either the letter attached as Exhibit A or the letter attached as Exhibit B, together with a copy of this order, to all of Keds’ directors, officers, dealers, distributors, agents, or sales representatives.

V.

It is further ordered, That for a period of two (2) years after the date on which this order becomes final, Keds shall mail by first class mail either the letter attached as Exhibit A or the letter attached as Exhibit B, together with a copy of this order, to all new directors, officers, dealers, distributors, agents, or sales representatives of Keds, within ninety (90) days of the commencement of such person’s employment or affiliation with Keds.

VI.

It is further ordered, That Keds shall notify the Commission at least thirty (30) days prior to any proposed changes in Keds such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of the order.
VII.

It is further ordered, That within sixty (60) days after this order becomes final, and at such other times as the Commission or its staff shall request, Keds shall file with the Commission a verified written report setting forth in detail the manner and form in which Keds has complied and is complying with this order.

EXHIBIT A

[KEDS LETTERHEAD]

Dear Retailer:

The Federal Trade Commission has conducted an investigation into Keds' sales policies, and in particular, Keds' Suggested Retail Pricing Policy that was announced in May 1992. As you know, on June 25, 1993, Keds withdrew its Pricing Policy. Keds has always believed, and continues to believe, that its Pricing Policy did not violate the law. However, to expeditiously resolve the investigation and to avoid disruption to the conduct of its business, Keds has agreed, without admitting any violation of the law, to the entry of a consent order by the Federal Trade Commission prohibiting certain practices relating to resale prices. A copy of the order is enclosed. This letter and the accompanying order are being sent to all of our dealers, sales personnel and representatives.

The order spells out our obligations in greater detail, but we want you to know and understand the following:

1. You can sell and advertise our products at any price you choose.
2. While we may send materials to you which may contain our suggested retail prices, you are completely free to disregard these suggestions.

We look forward to continuing to do business with you in the future.

Sincerely yours,

President
The Keds Corporation
Dear Retailer:

The [name of state] Attorney General’s Office, along with the offices of the Attorneys General in the other 49 states, and the Federal Trade Commission have conducted investigations into Keds’ sales policies, and in particular, Keds’ Suggested Retail Pricing Policy that was announced in May 1992. As you know, on June 25, 1993, Keds withdrew its Pricing Policy. Keds has always believed, and continues to believe, that its Pricing Policy did not violate the law. However, to expeditiously resolve the investigations and to avoid disruption to the conduct of its business, Keds has agreed, without admitting any violation of the law, to the entry of Final Judgments and Consent Decrees by the State of [name of state] and the Federal Trade Commission prohibiting certain practices relating to resale prices. Copies of the Final Judgments and Consent Decrees are attached. This letter and the accompanying documents have been sent to all of our dealers, sales personnel and representatives.

The Final Judgments and Consent Decrees spell out our obligations in greater detail, but we want you to know and understand the following. Under both orders:

1. You can advertise and sell our products at any price you choose.
2. While we may send materials to you which may contain our suggested retail prices, you are completely free to disregard these suggestions.

In addition, the [name of state] order requires that:

3. Keds will not take any adverse action against you because of the price at which you advertise or sell our products.

We look forward to continuing to do business with you in the future.

Sincerely yours,

President
The Keds Corporation
IN THE MATTER OF

MCLEAN COUNTY CHIROPRACTIC ASSOCIATION

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

Docket C-3491. Complaint, April 7, 1994--Decision, April 7, 1994

This consent order prohibits, among other things, an association of Illinois
chiropractors from entering into any agreement with any chiropractors to set
fees for patients, or terms for third-party payor contracts, and requires the
association to give members copies of the orders.

Appearances

For the Commission: Mark J. Horoschak and Rendell A. Davis,
Jr.
For the respondent: George R. Flynn, Bloomington, IL.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act,
as amended, 15 U.S.C. 41 et seq., and by virtue of the authority
vested in it by said Act, the Federal Trade Commission, having
reason to believe that respondent McLean County Chiropractic
Association ("respondent MCCA") has 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 as follows:

PARAGRAPH 1. For purposes of this complaint, the following
definitions shall apply:

A. The term "person" refers to both natural persons and artificial
persons, including, but not limited to, corporations, unincorporated
entities, and governments.

B. "Third-party payor" means any person that engages in the
process of reimbursing for, or purchasing or paying for, health care
services provided to any other person.
PAR. 2. Respondent MCCA is an unincorporated association, with its principal offices and places of business in McLean County, Illinois. For purposes of this complaint, its address is as follows: McLean County Chiropractic Association, c/o George R. Flynn, Esq., P.O. Box 3574, Bloomington, IL.

PAR. 3. Respondent MCCA has thirteen members, all of whom are chiropractors engaged in the business of providing chiropractic services to patients for a fee. Those members all have their offices in McLean County, Illinois. Except to the extent that competition has been restrained as herein alleged, those members have been and are now in competition among themselves and with other chiropractors, with respect to the provision of chiropractic services in McLean County, Illinois, and its vicinity.

PAR. 4. The general business practices of MCCA's members, and the acts and practices described below, affect the interstate movement of patients, the interstate purchase of supplies and products, and the interstate flow of funds, and are in or affect commerce within the meaning of Section 5(a)(1) of the Federal Trade Commission Act, 15 U.S.C. 45(a)(1).

PAR. 5. Respondent MCCA has acted as a combination of its members, has conspired with at least some of its members, and has acted to implement an agreement among its members to restrain competition among chiropractors by, among other things, facilitating, entering into, and implementing an agreement, express or implied:

A. That respondent MCCA would set the maximum fees to be sought by its members from patients and third-party payors; and
B. That respondent MCCA would negotiate the terms and conditions of agreements between its members and third party payors, including the fees to be paid for the members, services.

PAR. 6. By engaging in the acts or practices described in paragraph five, respondent MCCA has acted as a combination of at least some of its members, and has combined or conspired with at least some of its members, to fix or affect the fees charged by, or otherwise to restrain competition among, chiropractors in McLean County, Illinois, and its vicinity.

PAR. 7. Respondent MCCA has engaged in various acts and practices in furtherance of this combination or conspiracy, including, among other things:
A. Periodically voting to raise the maximum allowable charges that its members may charge patients and third party payors for the provision of chiropractic services; and
B. Attempting to negotiate collectively on behalf of its members the terms and conditions of agreements between its members and third-party payors, including the fees to be paid by those payors for the services of its members.

PAR. 8. Respondent MCCA's activities described in paragraphs five through seven have had, or have the tendency and capacity to have, the following effects, among others:

A. Restraining competition among chiropractors in McLean County, Illinois, and its vicinity;
B. Fixing or affecting the fees that chiropractors in McLean County, Illinois, and its vicinity charge for their services; and
C. Depriving consumers of chiropractic services and third-party payors of the benefits of competition among chiropractors in McLean County, Illinois, and its vicinity.

PAR. 9. The combination or conspiracy and the acts and practices described in paragraphs five through seven constitute unfair methods of competition in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45. Respondent MCCA's combination or conspiracy, or the effects thereof, is continuing and will continue in the absence of the relief herein requested.

DECISION AND ORDER

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

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has 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 is an unincorporated association, with its principal offices and places of business in McLean County, Illinois. For purposes of this order, its address is as follows: McLean County Chiropractic Association, c/o George R. Flynn, Esq., P.O. Box 3574, Bloomington, IL.

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

ORDER

I.

It is ordered, That for purposes of this order, the following definitions shall apply:

A. “Respondent MCCA” means McLean County Chiropractic Association and its Board of Directors, committees, officers, representatives, agents, employees, successors, and assigns.

B. “Payor” means any person that purchases, reimburses for, or otherwise pays for health care services for themselves or for any other person -- including, but not limited to, health insurance companies; preferred provider organizations; prepaid hospital, medical, or other health service plans; health maintenance organizations; government health benefits programs; employers or other persons providing or administering self-insured health benefits programs; and patients who purchase health care for themselves.
C. "Integrated joint venture" means a joint arrangement to provide health care services in which all chiropractors participating in the venture who would otherwise be competitors (1) pool their capital to finance the venture, by themselves or together with others, and (2) share a substantial risk of loss from their participation in the venture.

D. "Case fee" means the aggregate total of all fees charged to a patient for the full course of treatment for a medical condition or combination of medical conditions. "Case fee" does not mean a fee charged for a particular product or service.

II.

It is further ordered, That respondent MCCA directly or indirectly, or through any device, in connection with activities in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, as amended, do forthwith cease and desist from:

A. Entering into, attempting to enter into, organizing, continuing, or acting in furtherance of any agreement or combination, express or implied, with any chiropractors or among any chiropractors, to discuss or collectively determine the fees which chiropractors charge to payors; and

B. Entering into, attempting to enter into, organizing, continuing, or acting in furtherance of any agreement or combination, express or implied, with any chiropractors or among any chiropractors, to deal with payors on collectively determined terms.

Provided that, nothing in this order shall prevent chiropractors who practice together as partners or employees in the same professional corporation or partnership from collectively determining the fees to be charged for services provided by that professional corporation or partnership or from collectively determining other terms on which that professional corporation or partnership deals with payors.

Further provided that, nothing in this order shall prevent chiropractors who participate in the same integrated joint venture from collectively determining the fees to be charged for services provided by that integrated joint venture or from collectively determining other terms on which that integrated joint venture deals with payors.
Further provided that, nothing in this order shall prevent respondent MCCA from collecting historical data concerning case fees for the purpose of providing such data to payors.

III.

It is further ordered, That respondent MCCA:

A. File a written report with the Commission within ninety (90) days after the date when the order becomes final, and annually for three (3) years on the anniversary of the date when the order becomes final, and at such other times as the Commission may by written notice to respondent MCCA require, setting forth in detail the manner and form in which it has complied and is complying with the order.

B. For a period of five (5) years after the date when the order becomes final, maintain and make available to Commission staff, for inspection and copying upon reasonable notice, records adequate to describe in detail any action taken in connection with the activities covered by parts II and III of this order, including, but not limited to, all documents generated by respondent MCCA or that come into its possession, custody, or control, regardless of source, that discuss, refer, or relate to any fee, term, or condition of any agreement, actual or proposed, with any payor.

C. Distribute by first-class mail a copy of this order to each of its members within thirty (30) days after the date when the order becomes final.

D. For a period of five (5) years after the date when the order becomes final, provide each new MCCA member with a copy of this order at the time the member is accepted into membership.

E. Notify the Commission, at least thirty (30) days prior to any proposed change to respondent MCCA which may affect compliance with this order -- including, but not limited to, dissolution or the emergence of a successor.

CONCURRING STATEMENT OF ROSCOE B. STAREK, III

I concur in the Commission's decision to issue the consent order in this matter. The conduct at issue seems to fall squarely within the Supreme Court's broad per se proscription against horizontal
agreements on maximum prices, set forth in Arizona v. Maricopa County Medical Society.¹

I am nonetheless somewhat skeptical about whether an inflexible pursuit of enforcement actions against such conduct is a beneficial use of the Commission's limited resources. The underlying logic of a per se ban on an activity is that the costs of the activity are so high, and the benefits so slight (and so costly to identify), that society's interests are best served through the application of a simple enforcement rule.

In the case of agreements on maximum prices, it is not obvious to me that this logic applies.² Agreements to set maximum prices may not restrict output in all contexts. Moreover, I am unpersuaded that the benefits from such agreements are necessarily negligible and difficult to assess in individual cases.³

I am confident that we can distinguish beneficial uses of these agreements from pernicious uses, particularly in health care markets. I think it unwise to issue blanket condemnations of arrangements that may merely represent socially desirable responses to the competitive pressures increasingly faced by health care providers to reduce costs.⁴ In the exercise of the Commission's prosecutorial discretion, application of the truncated rule of reason approach of Massachusetts Board of Registration in Optometry⁵ may yield substantial future benefits.

¹ 457 U.S. 332, 348 (1982) ("[H]orizontal agreements to fix maximum prices [are] on the same legal -- even if not economic -- footing as agreements to fix minimum or uniform prices.")

² See Frank H. Easterbrook, Maximum Price Fixing, 48 U. Chi. L. Rev. 886, 887 (1981) ("[M]aximum price fixing is almost always beneficial to consumers and . . . the time has come to abandon any per se rule against the practice.").

³ It is not hard to identify plausible benefits from such agreements, particularly when used in health care markets. Publication of a maximum fee schedule could help consumers search for a practitioner on the basis of price -- a task that historically has been difficult in health care markets because of the paucity of price information. Similarly, the fee schedule may be a low-cost means by which signatory practitioners can market themselves to third-party payers. But see Maricopa, 457 U.S. at 354-55 (rejecting argument that the fixing of maximum reimbursable fees was procompetitive).

⁴ One unintended consequence of current policy may be to induce producers who wish to coordinate pricing behavior to integrate, even if the integration is not otherwise efficient and the less restrictive contractual alternative is procompetitive or competitively neutral. This seems analogous to one consequence of the historically unfavorable antitrust policy toward vertical restraints -- that producers integrate into distribution because integration enjoys more favorable treatment under the law than do less restrictive vertical agreements. In situations in which an agreement would have enhanced interbrand competition, forcing integration to obtain these benefits may be counterproductive.

IN THE MATTER OF

ARCHER DANIELS MIDLAND COMPANY

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

Docket C-3492. Complaint, April 12, 1994--Decision, April 12, 1994

This consent order prohibits, among other things, an Illinois-based firm from
making any claims, unless substantiated by competent and reliable scientific
evidence, that any of its products or plastic product additives is degradable,
biodegradable, or photodegradable when disposed of in sanitary landfills, or
that such products or additives offer any environmental benefit compared to
other products when disposed of as trash buried in a sanitary landfill or
incinerated.

Appearances

For the Commission: Michael Dershowitz and C. Lee Peeler.
For the respondent: Scott Roberts, in-house counsel, Decatur, IL.

COMPLAINT

The Federal Trade Commission, having reason to believe that
Archer Daniels Midland Company, a corporation, hereinafter
sometimes referred to as respondent, has violated the provisions of
the Federal Trade Commission Act, and it appearing to the
Commission that a proceeding by it in respect thereof would be in the
public interest, alleges:

PARAGRAPH 1. Respondent Archer Daniels Midland Company
("ADM") is a Delaware corporation with its office and principal
place of business located at 4666 Faries Parkway, Decatur, Illinois.

PAR. 2. Respondent has advertised, offered for sale, sold, and
distributed its cornstarch plastic additive product for use in such
consumer plastic products as grocery bags, lawn and trash bags, and
disposable diapers, under the trade names "ADM Master Batch" and
"Polyclean."

PAR. 3. The acts or practices of respondent alleged in this
complaint have been in or affecting commerce, as "commerce" is
PAR. 4. Respondent has disseminated or has caused to be disseminated television broadcast advertisements, radio advertise-
ments, and promotional materials for its cornstarch plastic additive product, including, but not necessarily limited to, the attached Exhibits A through F.

An aforesaid television advertisement (Exhibit A -- photo board) contains the following claims, among others:

Plastic: Durable, versatile, economical, functional. And now, thanks to a special corn starch that starts breaking the plastic down in just a matter of months, ... biodegradable. ADM. Supermarket to the world.

ENVIRONMENTALLY FRIENDLY.

Exhibit A visually depicts plastic products being thrown away into a trash barrel and then disappearing.

Another television advertisement (Exhibit B -- photo board) contains the following claims, among others:

Plastic: Durable, versatile, economical, functional. And now, thanks to a special corn starch that breaks it down to humus in approximately two years, ... degradable. ADM. Supermarket to the world.

ENVIRONMENTALLY FRIENDLY.

Exhibit B visually depicts plastic products being thrown away into a trash barrel and then disappearing.

Another television advertisement (Exhibit C -- description of the video with a transcription of the audio) contains the following claims, among others:

The plastic we throw away today will still be here three to four hundred years from now. And Americans throw away ten billion pounds of it -- enough to build a mountain as high as Pike's Peak every year. Fortunately, an answer already exists. It's a special corn starch that causes plastic to begin to degrade in as little as six months. Giving us something else to leave the people of the future besides our plastic.

This television advertisement depicts mounds of plastic being added to the trash in a landfill.
Another television advertisement (Exhibit D -- description of the video with a transcription of the audio) contains the following claims, among others:

The plastic you throw away today will still be here three to four hundred years from now. And Americans throw away 10 billion pounds of it every year. That's the bad news. Now the good news. Recently a special corn starch was introduced that causes plastic to begin to degrade in as little as six months. Isn't it funny how a little bit of good news can make the bad news just disappear?

This television advertisement depicts plastic products being thrown away into a trash barrel and then disappearing.

An aforesaid radio advertisement (Exhibit E -- transcript) contains the following claims, among others:

Last year, America produced 3 times as much plastic as it did just 20 years ago. And while plastics are certainly convenient and economical, it can take hundreds of years for them to degrade. In landfills that are already filled to overflowing. Which is why a new product from ADM holds such promise. It's a special corn starch additive that when added to plastic, causes it to start breaking down in just a matter of months. Grocery bags, lawn and trash bags, even disposable diapers made with this new biodegradable technology are available right now.

An aforesaid piece of promotional material (Exhibit F) contains the following claims, among others:

ADM Master Batch greatly speeds up the degradation process.

Buried in a sanitary landfill, polyethylene film will last indefinitely. Preliminary studies indicate that polyethylene films made with ADM Master Batch, on the other hand, will degrade in just six months to two years.

PAR. 5. Through the statements referred to in paragraph four and others in advertisements not specifically set forth herein, respondent has represented, directly or by implication, that:

1. Compared to other plastic products, plastic products containing ADM's cornstarch additive offer a significant environmental benefit when consumers dispose of them as trash that is buried in a landfill.

2. A few months after disposal as trash in a landfill, plastic products containing ADM's cornstarch additive will begin to break
down, biodegrade, and then disappear in a reasonably short period of time.

3. Plastic products containing ADM's cornstarch additive will break down, biodegrade, and disappear significantly faster than other plastic products after consumers dispose of them as trash that is buried in landfills.

4. Plastic products containing ADM's cornstarch additive will degrade in a landfill in a short enough period of time to significantly reduce the amount of garbage in landfills.

PAR. 6. Through the statements referred to in paragraph four in promotional material (Exhibit F), and others in promotional materials not specifically set forth herein, respondent has represented, directly or by implication, that plastic products containing ADM's cornstarch additive will degrade in a landfill in six months to two years, while other plastic products will last indefinitely in a landfill.

PAR. 7. Through the statements and representations referred to in paragraphs five and six, respondent has represented, directly or by implication, that at the time it made such representations, respondent possessed and relied upon a reasonable basis for such representations.

PAR. 8. In truth and in fact, at the time respondent made the representations referred to in paragraphs five and six, respondent did not possess and rely upon a reasonable basis for such representations. Therefore, the representation set forth in paragraph seven was, and is, false and misleading.

PAR. 9. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in/or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

Commissioner Starek not participating
Vanishing Act

An ADM commercial introducing the benefits of a new degradable plastic technology.

- ANNCR Plastic
- Durable
- Versatile
- Economical
- Functional

And now, thanks to a specific corn starch that starts breaking the plastic down in just a matter of months.

Biodegradable
ADM. Supermarket to the world

See this and other ADM commercials each Sunday on "Meet the Press" (NBC), "This Week with David Brinkley" (ABC), and "Face the Nation" (CBS).
EXHIBIT B

ADM commercials introducing the concept of a new degradable plastic technology.

VERSATILE, ECONOMICAL, FUNCTIONAL.

See this and other ADM commercials each Sunday on "Meet the Press" NBC, "This Week with David Brinkley" ABC, and "Face the Nation" CBS.

ARCHER DANIELS MIDLAND COMPANY
EXHIBIT C

TELEVISION MW

JOB NO ADC-8021-B Rev. #9
STATION QADM8012
PROGRAM "Monuments of the Past"
CLIENT ADM Corporate
TIME :60

AS PRODUCED:

VIDEO

SHOW A SERIES OF MONUMENTS OF THE PAST. (SPHINX, PARTHENON, TAJ MAHAL, EIFFEL TOWER AND GREAT WALL OF CHINA.)

CAMERA PANS "MOUNTAINS"...

WE HEAR A BULLDOZER & SUDDENLY SEE HUGE MOUND OF PLASTICS BEING ADDED TO THIS "MOUNTAIN."

SUN BURSTS OVER PIKE'S PEAK

PAN OVER MOUNTAINS.

BEAUTIFUL MOUNTAIN LAKE WITH FLY FISHERMAN.

LOGO SUPER

AUDIO

ANNCR: If a civilization is remembered for the monuments it leaves to the future, what will we be remembered for?

The plastic we throw away today will still be here three to four hundred years from now.

And Americans throw away ten billion pounds of it—enough to build a mountain as high as Pike's Peak every year.

Fortunately, an answer already exists. It's a special corn starch that causes plastics to begin to degrade in as little as six months.

Giving us something else to leave the people of the future besides our plastic.
TELEVISION MW
JOB NO ADC-8037-B Rev. #7
STATION QADMO11
PROGRAM “Good News”
CLIENT ADM Corporate
TIME :30

AS PRODUCED:

VIDEO

POLYETHYLENE MATERIALS FALLING SLO-MO INTO BARREL.
MORE AND MORE MATERIALS FALLING.

AUDIO

ANNCR: The plastic you throw away today will still be here three to four hundred years from now.
And Americans throw away 10 billion pounds of it every year.
That’s the bad news.
Now the good news.

THEY OVERFLOW INTO A HEAP.
THE “HEAP” DISSOLVES.

ONLY THE BARREL REMAINS.

Recently a special corn starch was introduced that causes plastic to degrade in as little as six months.
Isn’t it funny how a little bit of good news can make the bad news just disappear?

LOGO: SUPERS
ANNCR: In the 1967 film, "The Graduate," Dustin Hoffman was given some shrewd career-planning advice. In a word, "plastics."

ANNCR: How prophetic that advice turned out to be. Last year, America produced 3 times as much plastic as it did just 20 years ago. And while plastics are certainly convenient and economical, it can take hundreds of years for them to degrade. In landfills that are already filled to overflowing. Which is why a new product from ADM holds such promise. It's a special corn starch additive that when added to plastic, causes it to start breaking down in just a matter of months. Grocery bags, lawn and trash bags, even disposable diapers made with this new biodegradable technology are available right now. And with other products on the way, the future of plastics appears brighter than ever.

ANNCR: The Archer Daniels Midland Company. Supermarket to the world.
NOW THE OPPORTUNITY EXISTS TO PRODUCE DEGRADABLE POLYETHYLENE WITH ADM MASTER BATCH.

Degradation due to oxidative action. Low density polyethylene film containing ADM Master Batch lost all strength after 20 days at laboratory conditions equivalent to about two years at normal temperature (120°F).

Degradation in soil. LDPE film containing ADM Master Batch lost all strength within six months.

Conservative degradability: polyethylene film without ADM Master Batch disintegrated 15 days in aerobic decay at 20°C. Two gram organisms added to the film (flour and washed 300).

LDPE film with ADM Master Batch disintegrated 15 days in aerobic decay at 20°C. Two gram organisms added to the film and washed 300.

LDPE film with ADM Master Batch disintegrated 15 days in aerobic decay at 20°C. Two gram organisms added to the film and washed 300.
DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent 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 respondent with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent Archer Daniels Midland Company is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware. Archer Daniels Midland Company has its offices and principal place of business at 4666 Faries Parkway, Decatur, Illinois.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent and the proceeding is in the public interest.
ORDER

DEFINITIONS

For purposes of this order, the following definitions shall apply:

"Archer Daniels Midland product" means any plastic product or any plastic product that contains the plastic product additive defined below, that is advertised, offered for sale, sold, or distributed to the public by respondent, its successors and assigns; and also means any plastic product or any plastic product that contains the plastic product additive defined below, that is offered for sale, sold, or distributed to the public by third parties under private labeling agreements with respondent, its successors and assigns.

"Plastic product additive" means "Polyclean," "ADM Master Batch," or any other ingredient added to plastic that is advertised, offered for sale, sold, or distributed to the public by respondent, its successors and assigns; and also means any such ingredient that is offered for sale, sold, or distributed to the public by third parties under licensing or other agreements with respondent, its successors and assigns.

I.

A. *It is ordered,* That respondent Archer Daniels Midland Company, a corporation, its successors and assigns and its officers, and respondent's representatives, agents, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, offering for sale, sale, or distribution of any Archer Daniels Midland product or plastic product additive in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, by words, depictions, or symbols:

1. That any Archer Daniels Midland product or plastic product additive is "degradable," "biodegradable," or "photodegradable" when disposed of in a sanitary landfill; or,

2. Through the use of such terms as "degradable," "biodegradable," "photodegradable," or any substantially similar term or
expression, that any such product or any such product containing such additive offers any environmental benefit compared to other products when consumers dispose of them as trash that is buried in a sanitary landfill or incinerated,

unless at the time of making such representation, respondent possesses and relies upon a reasonable basis, consisting of competent and reliable scientific evidence that substantiates such representation. To the extent such evidence of a reasonable basis consists of scientific or professional tests, analyses, research, studies, or any other evidence based on expertise of professionals in the relevant area, such evidence shall be "competent and reliable" only if those tests, analyses, research, studies, or other evidence are conducted and evaluated in an objective manner by persons qualified to do so, and using procedures generally accepted in the profession to yield accurate and reliable results.

B. Provided, however, respondent will not be in violation of this order, in connection with the advertising, labeling, offering for sale, sale, or distribution of any Archer Daniels Midland product or plastic product additive, if it truthfully represents that such products or such additives are designed to degrade or break down and become part of usable compost, when disposed of in programs or facilities that collect yard waste or municipal solid waste for composting (that is, the accelerated breakdown of waste into soil-conditioning material), provided that the labeling of such products or such additives and any advertising referring to the degradability of such products or such additives discloses clearly, prominently, and in close proximity to such representation:

(1) That such products are not designed to effectively degrade in landfills; and further discloses

(2)(a) In the case of products designed to be disposed of in yard waste composting programs, that such programs may not be available in the consumer's area; or, in the case of products designed to be disposed of in municipal solid waste composting facilities, that such facilities are generally unavailable in the U.S., or

(2)(b) Depending upon whether the product is designed to be disposed of in yard waste composting programs, or municipal solid waste composting facilities, the approximate percentage of the U.S.
population having access to yard waste composting programs, or having access to municipal solid waste composting facilities.

Provided further, that the disclosures contained in (2)(a) and (2)(b) above need not be made in advertising or on product labels if such products or additives are distributed and advertised only to consumers residing in areas served by yard waste composting programs or municipal solid waste facilities (e.g., Southeastern Oakland County Resource Recovery Authority (SOCRRA) composting program).

For purposes of this provision, a disclosure elsewhere on the product package shall be deemed to be "in close proximity" to such terms if there is a clear and conspicuous cross-reference to the disclosure. The use of an asterisk or other symbol shall not constitute a clear and conspicuous cross-reference. A cross reference shall be deemed clear and conspicuous if it is of sufficient prominence to be readily noticeable and readable by the prospective purchaser when examining the principal display panel of the package. The principal display panel of the package is that part of the package that faces the consumer when presented under normal and customary conditions of display for retail sale.

If the advertising and labeling of any Archer Daniels Midland product or plastic product additive otherwise complies with Subpart A of Part I of this order, respondent will not be in violation of this order if it does not make the disclosures in this proviso (Subpart B).

II.

It is further ordered, That respondent Archer Daniels Midland Company, a corporation, its successors and assigns, and its officers, and respondent's representatives, agents, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, offering for sale, sale, or distribution of any Archer Daniels Midland product or plastic product additive in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, by words, depictions, or symbols, that any Archer Daniels Midland product or plastic product additive is "Environmentally Friendly" or offers any environmental benefit, unless at the time of making such representation, respondent
possesses and relies upon a reasonable basis, consisting of competent and reliable evidence that substantiates such representation. To the extent such evidence of a reasonable basis consists of scientific or professional tests, analyses, research, studies, or any other evidence based on expertise of professionals in the relevant area, such evidence shall be "competent and reliable" only if those tests, analyses, research, studies, or other evidence are conducted and evaluated in an objective manner by persons qualified to do so, and using procedures generally accepted in the profession to yield accurate and reliable results.

III.

Nothing in this order shall prevent respondent from using any of the terms cited in Parts I and II, or substantially similar terms or expressions, if necessary to comply with any federal rule, regulation, or law governing the use of such terms in advertising or labeling.

IV.

It is further ordered, That for three (3) years from the date that the representations to which they pertain are last disseminated, respondent shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All materials relied upon to substantiate any representation covered by this order; and

B. All tests, reports, studies, surveys, or other materials in its possession or control that contradict, qualify, or call into question such representation or the basis upon which respondent relied for such representation.

V.

It is further ordered, That respondent shall distribute a copy of this order within sixty (60) days after service of this order upon it to each of its operating divisions and to each of its officers, agents, representatives, or employees engaged in the preparation and placement of advertisements or other such sales materials covered by this order.
VI.

*It is further ordered,* That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporation, such as a dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations under this order.

VII.

*It is further ordered* that respondent shall, within sixty (60) days after service of this order upon it, and at such other times as the Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

Commissioner Starek not participating.