

Complaint

117 F.T.C.

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.

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

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

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

(Exhibit E.)

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

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

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

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

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

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

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

PAR. 15. In truth and in fact:

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

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

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

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

FACE LIFT

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

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

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

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

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

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

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

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

A. Face Lift will permanently remove facial wrinkles; and

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

PAR. 20. In truth and in fact:

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

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

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

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

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

CELLTREX

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

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

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

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

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

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

EARNINGS CLAIMS

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

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

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

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

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

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

F. "Sales Organization Growth Duplication

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

4000 Salespeople

Worst Case Attrition
 75% (4000 X .25) = 1000

Remaining 1000

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

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

\$14,000 Per Month

\$168,000 Per Year"
 (Exhibit M.)

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

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

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

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

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

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

EXHIBIT A

The Bottom Line/Dan Dorfman

A HAIR-RAISING

...the product is sold in nine European countries, Canada, and Kuwait.

You probably haven't heard about Nutriol. But you will: The impending sales blitz is part of a concerted effort to beat Upjohn to the punch and capitalize on a multi-billion-dollar market that includes some 30 million men and 20 million women in the U.S. who suffer from baldness or some hair loss.

Any product that claims to grow hair is regarded as a drug and cannot be sold without approval from the FDA, and that agency has not yet approved any hair-growing product. Nutriol, however, is being sold as a cosmetic—a "hair fitness preparation"—and therefore requires no approval from the FDA.

This product is not cheap. Each Nutriol package contains twelve vials of solution. First you apply the contents of one vial to your scalp every other day for 48 days—one distributor calls this "the attack phase." (Two packages will take you through this phase.) Then you follow up with a refresher—a treatment one to three times a week for the next six months. Then it's back to "the attack phase" for another 48 days. A year's treatment should run, depending on how many times a week you use it, between \$400 and \$700 at the suggested retail price—\$49.95 a box. (Some people are selling the lotion for as much as \$75 a box; it wholesales for \$34.97.)

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

EXHIBIT



DOES IT OR DOESN'T IT? Is the claim hype, or does Nutriol make hair grow?

multilevel marketing. A "distributor" buys the product wholesale, directly from the company, and then resells it. The big bucks are made by getting new buyers to sign up with the company and having them, in turn, solicit other new buyers.

Let's say, for example, that John encourages Helen to buy Nutriol. He gets a percentage of her purchase as well as a percentage of all sales she generates, either directly or indirectly, by bringing other people into the program. It's like building your own sales force, from whom you derive a commission on every sale.

Is the power of Nutriol just hype, or does the product actually make hair grow? (No one claims, by the way, that it cures total baldness.) And what about the investment implications for American Cyanamid and especially Upjohn? Upjohn's stock, based on the hair-growing potential of minoxidil, shot up from 70 1/2 to 133 1/2 last year, a gain of over 90 percent. The prospect of any serious rival to minoxidil could have an extremely negative effect on Upjohn shares.

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

Crinos's marketing director, Antonio Caso, told me in a telephone interview that the physiology of health of a number of countries, including France, Italy, and Greece, have given the company their approval for the marketing of Foltene as a product that stops hair loss and stimulates hair growth. He says this approval was based on nine clinical studies Crinos sponsored between 1981 and 1984. They involved some 300 men and women and lasted about four months each.

Foltene's active ingredients are complex organic substances extracted from animal tissues. These substances, polychosaccharides, are said to be rich in polysaccharides—complex carbohydrates that are claimed to accelerate hair growth.

Caso made some exuberant claims about Foltene, which, he told me, has repeatedly spurred hair regrowth in two to three months. He described the product as somewhat more effective for women than for men. According to Caso, participants in the Foltene studies showed growth of fine hair (versus thick or normal hair) in 70 percent of the cases. Eleven percent showed partial regrowth of normal hair; total regrowth of normal hair, he said, was experienced by another 11 percent. For the remaining 8 percent, the treatment was a failure.

"We don't want to promise the moon," Caso told me. "But we have a product which has been shown to grow hair in two to three months... and there are absolutely no side effects."

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EXHIBIT B

Hair
Nutriol

Newsletter

Testimonial on Hair Growth with Nutriol

By David K. Brown

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

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

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

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

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

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

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

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

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

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

It's impressive — so impressive in fact that articles in some foreign publications call it the "treatment which cures baldness." They call it "almost a miracle," state that "baldness is conquered" and label Nutriol "a revolutionary product."

The product was even voted one of the "best new product introductions" by a Western European trade association for the year 1982. Could such enthusiastic treatment by the press and trade evolve from consumer results that were less than satisfactory? It would seem unlikely. Well then, how is such a product fairing in the U.S. market?

Although Nutriol sales are reportedly doing quite well, they are not scratching the market potential estimated to be \$3 to \$5 billion annually by the Wall Street Journal.

This is probably due to the fact that the product is not advertised nor are claims of "stopping hair loss" or "creating new hair growth" being made. Vague advertising wouldn't accomplish much. Without the approval of the Food and Drug Administration, such benefit claims cannot be made in the U.S. In general, the marketplace knows little about Nutriol.

Hair care professionals, the segment of the distribution process that interfaces with the public, have not embraced Nutriol as a significant benefit for their patrons. The cost is not insignificant: \$500 to \$600 per year (compared with \$1,200 annually for Minoxidil). Also, the cosmetic industry trade publications have been less than enthusiastic in their reporting of Nutriol.

Hair
INDUSTRY NEWS

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EXHIBIT
B

EXHIBIT C

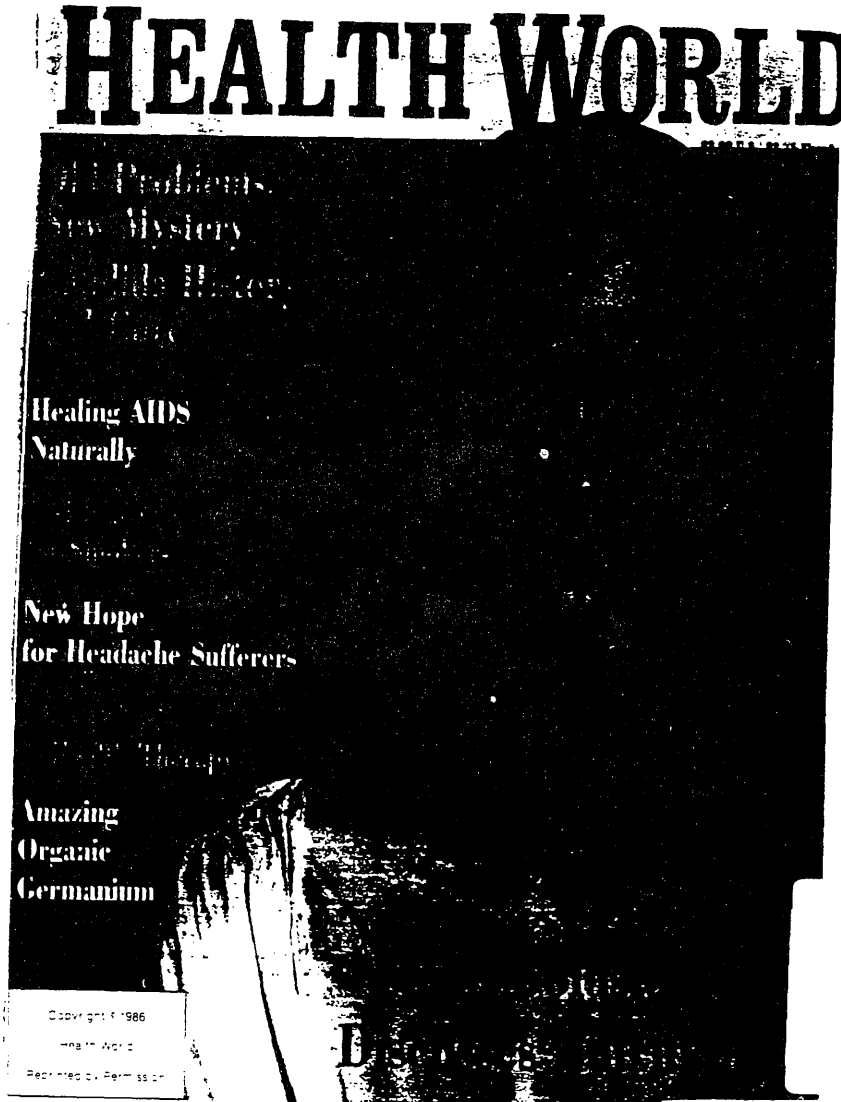


EXHIBIT
C

Complaint

EXHIBIT C

Hair... When More Is Better

Natural Remedy for Hair Loss and Regeneration

By Bob Jimenez

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

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

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

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

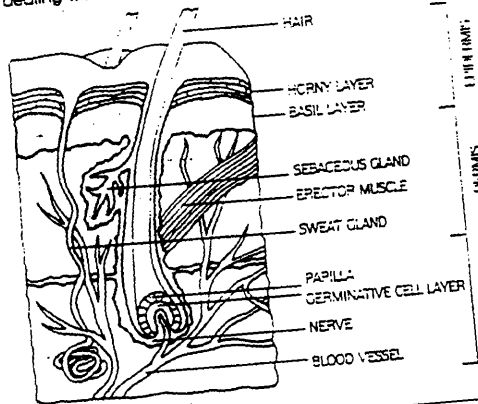
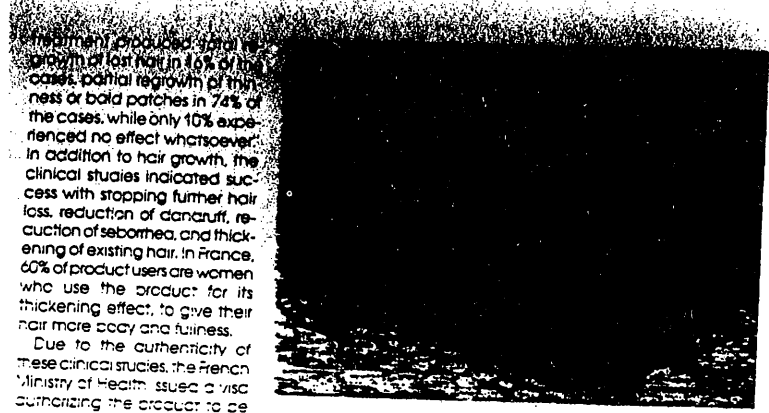


EXHIBIT C



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

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

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

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

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

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

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

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



