

[Music]

*Female:* We believe Breathe Right has great potential.

*Male:* Our product has appeal in many different markets.

*Male:* We look for where the biggest prize would be.

[Music]

*Male:* Faster than a decongestant. More powerful than a stuffy nose. It's Breathe Right nasal strips. Come on, honey. My allergies keep me up every night. How's this gonna help?

*Female:* The same way it helps my snoring every night.

*Male:* Until you try for yourself, it's hard to believe the instant nasal congestion relief that comes from Breathe Right strips. Nasal congestion limits airflow, but Breathe Right's patented reflex action gently lifts open nasal passages to help you get more air. Breathe better, sleep better with Breathe Right.

[Music]

*Female:* Inventor of the Breathe Right strip, Bruce Johnson, who had severe allergies and difficulty sleeping, had invented the Breathe Right nasal strip. Our Chairman, who is, by training, a neurologist, but, by calling, an entrepreneur, fell in love with the product, dropped everything, and he and a marketer and the inventor spent three years turning this product into a business.

*Male:* The inventor brought it into us under the guise of, "Could you test it," but he was really looking for somebody to license it. It was one of those nice life insights, when you look at something and you know, "Hey, this is huge." When we first began marketing the Breathe Right strip, what was so gratifying, particularly as a physician, were the – literally, the thousands of letters and phone calls we received talking about how much better people slept at night. It was interesting. Almost all the letters began, "Thank you. Thank you. Thank you." So, just three thank yous, and it was, "I haven't gotten a good night's sleep like this in 10 years."

*Female:* The first few years were really all about testing – clinical testing, ensuring that the product worked, developing a basis for claims, getting FDA approval for that, and then, taking it to market.

*Female:* The Breathe Right strip opens the nasal passage making it easier to breathe through your nose. Pro football players discovered a way to enhance their game. The National Football League's Herschel Walker was the first to use the strip in front of a national TV audience. San Francisco 49er superstar wide receiver Jerry Rice was next.

*Male:* Jerry Rice, he utilizing the strips really was a big PR generator for us. It got a lot of pickup, both domestically and internationally, and one of the things we immediately did was contact his agent to sign him to become an endorser so we could use him in advertising promotion and consumer trade promotion.

*Female:* With a significant amount of NFL players using the strips, CNS took advantage of the free publicity.

*Female:* The company at the time had done a very effective job of getting press kits in the hands of news commentators and sports commentators and the sports press. So, when the people on television were asking, "What is that funny looking thing on his nose," the press reporters all had the answers and how it translated into effective consumer – an effective consumer product for the masses.

*Male:* I really am lookin' forward to a great season, and I think we have a team that can really go back to the Super Bowl.

*Female:* Breathe Right strips are used by athletes hoping to play their best, snorers hoping for a good night's sleep, and allergy, sinus, and cold sufferers looking for drug-free relief from nasal congestion.

*Female:* Ah. Breathe Right strips.

*Female:* All over the world users have the same reaction.

*Male:* I'd have to say that every time you have the opportunity to put a nasal strip on someone who's never used it before, no matter what the country, no matter what the culture or the language, the response is always the same, and it's in perfect English. "Wow." People are really saying, and that translation is that Breathe Right nasal strips really work.

*Female:* How does CNS decide which countries to enter with the Breathe Right strip?

*Male:* Well, the key criteria that we look at – there are many, but those that we focus on are the size of the over the counter market, looking at the per capita spending by consumers in that market, and, in addition, the future prospects for growth.

*[Japanese Breathe Right commercial]*

*Male:* We also look at the availability of local partners, a demonstrated presence in the market, an ability to execute in terms of sales, marketing, distribution, and, also, part of the entrepreneurial spirit that we think should be reflective of who we are here at CNS, and I'd say the local partner is really the key criteria. You have to believe in the product.

*Female:* The single most important criteria we look at is our ability to find a great distributor partner. CNS will never, in the next three to five years, be large enough to have people on the ground with great expertise in all countries. We therefore are very reliant on great distributor partners.

*Male:* Some of the surprising things, as we decided to go global, was little things that we had assumed. One was UPC, the Universal Product Code, on packaging isn't universal. Their – UPC codes are only used in the U.S. and Canada. The other thing was we thought that we could go in with a similar packaging look for the coloration and things, but you do really need to look at the local sensitivities. Like our packaging in the U.S. is dark colors referring to night, where when we went to Europe and tested that packaging with consumers, it actually had a negative feel. They felt that it was kind of a closed-in feeling, and they wanted more of a lighter, airy package because this was a product that helped for better breathing.

Definitely one thing we found is very important is to do a lot of consumer research, whether it be secondary or primary research, to really help you understand the sensitivities in each market. Throughout Europe we don't have one set price. It really varies by market based on all the unique things in those markets. You have to take a look at the cost of doing business in that market, how many levels of distribution are there in the chain of distribution, the agreement that you have with your distributors, what the typical commission is, the retail price. So, there are many things you have to look at for price in each market.

*Female:* The company's partner in Italy, **Blufarm** Group, used its local knowledge and direct selling skills to partner with Italian

pharmacists and teach them how to build sales of Breathe Right strips in their stores.

*Male:* Our distributor Blufarm in Italy just does a tremendous job of sales execution at the local store level. When you go into a pharmacy, the first thing you see, even before you touch the door, is oftentimes wonderful window displays touting the benefits of Breathe Right nasal strips. You'll go into the store, find point of sale material, which is increasingly important outside of the United States as products come from behind the counter up to the front where the consumers are shopping, and Blufarm, I think, really drives the business through that attention to detail and trying to capture the consumer as they walk into that store.

*Female:* The word of a well-known athlete, in this case an Italian motocross racer, has added to product awareness all across Europe.

*Male:* Motorcycle racing is very popular outside of the United States, and in Italy there happens to be a driver named Valentino Rossi. Valentino is a user of Breathe Right nasal strips. He's used them in most of his races. However, on two occasions, for whatever reason, he chose not to put the strip on before the race. He happened to have lost both of those races. So, I would challenge you to try and find the world champion, Valentino Rossi, in motocross not wearing a nasal strip as he's competing in his races around the world.

*[Italian Breathe Right commercial]*

*Male:* **That** nose keeping you awake? Try Breathe Right nasal strips. Breathe Right nasal strips lift open nasal passages with a simple, spring-like action to instantly relieve nasal congestion allowing you to Breathe Right all night.

*[Spanish Breathe Right commercial]*

*Male:* For a promotion in some markets the Ministry of Health has to review everything we do because we are a consumer medical product. In most markets we try to do television advertising 'cause that is the broadest base and drives awareness, but it is also expensive. So, in markets where the sales don't really justify advertising on TV yet, we will do in-store promotion, print advertising, and some radio.

*[Sound of snoring in Breathe Right commercial]*

*Male:*

Is snoring a problem in your bedroom? Try Breathe Right nasal strips. Call now for your free Breathe Right Snore Stopper Kit, which includes six nasal strips, a coupon, plus information on snoring. Snoring is often the result of chronic nasal congestion, which may be due to allergies and sinus problems. Breathe Right strips gently lift open nasal passages so you breathe easier through your nose. Call now for your free Breathe Right Snore Stopper Kit. Sleep peacefully with this free offer.

*Male:*

Breathe Right right now.

*Male:*

Funny things that've happened in the PR aspect of the business, in Japan we had their version of David Letterman utilize the product and actually put it on people in his audience on the show and to see their reaction.

*[Japanese TV show clip]*

*Male:*

Another example would be in Japan that, all of a sudden, we had a – one of the hot rap singers in Japan from a group called Dragon Ash start wearing our strips, which we found out through his agent was because he had nasal congestion, but then, he started thinking, “Well, these are kinda cool and make a statement and differentiate me.”

*[Japanese rapper from Dragon Ash rapping]*

*Female:*

We believe Breathe Right has great potential, both domestically and around the world. That growth will come both from further expansion of Breathe Right nasal strips and from the extension of the brand to other drug-free, better breathing products. Internationally, we believe this business can be as large as our domestic business. So, our plan, internationally, is that we begin with strips, and then, everything we develop in the U.S. becomes a pipeline opportunity for expanding international.

*[Music]*

*[End of Audio]*