

BEATING THE ODDS

THE SUCCESS STORY OF NOW® AND
THE FAMILY HISTORY BEHIND IT.





BEATING THE ODDS
THE SUCCESS STORY OF NOW FOODS
AND THE FAMILY BEHIND IT.

A WORM'S EYE VIEW

BY DAN RICHARD

Sixth Edition 2021

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BEATING THE ODDS

CONTENTS

PREFACE	7
FOREWORD	9
ACKNOWLEDGEMENTS	11
1948-1960	13
1960-1968	19
1969-1977	27
1978-1984	39
1985-1988	49
1989-1992	61
1993-1996	71
1997-2002	79
2003-2005	93
2006-2009	103
2009-2013	113
2014-2017	121
2018-2020	127
HEALTH POETRY BY ELWOOD RICHARD	135

PREFACE

The odds are stacked high against any new business. They are stacked even higher against small, family-owned businesses that start up without extensive trade or management experience. Every year nearly one million new businesses are launched in the U.S. and 30% of those will be closed by the end of the first year. Within five years, more than 60% of new businesses fail. Within ten years, 90% are gone. Of the surviving businesses, only a handful will grow to become national success stories while remaining privately owned.

Succession to the next generation is an entirely separate problem. While over 80% of America's corporations are family owned or controlled, only 30% of all family owned businesses survive to the second generation. At best, 10% will succeed to the third generation while remaining as a private enterprise. Combined together, the odds are very slim that new family businesses will survive to the third generation, while remaining privately owned.



Betty, Elwood, Sharon, David, Dan

Our family business has also overcome the social and business stigmas that used to be associated with health food companies. Most people simply aren't ready to change their lifestyles in order to feel better. Because of many factors, the FDA (Food and Drug Administration) and, to a lesser degree, the FTC (Federal Trade Commission) have made selling natural foods very difficult for over half a century. By standing the test of time, NOW Foods and the Richard family have shown that natural food products are legitimate and helpful.

NOW Foods has beaten the odds and is a living testament to the American success story. My grandfather, Paul Richard, started our family heritage in the natural foods field in 1949, and my father, Elwood Richard, expanded the business substantially, adding four related businesses to the fold. Today, all five businesses are alive and well with NOW Foods as the lead company. NOW has an interesting story to tell that should inform, surprise, enlighten and, hopefully, entertain readers with many interests. We have beaten the odds and they are now in our favor.

Dan Richard May, 2002, Revised 2005, 2009, 2013, 2017, 2021

FOREWORD

“That’s the craziest idea I’ve ever heard” I responded to Geraldine, our New York City representative, who suggested this very book. “I don’t have the interest or the time, and even if I were to write a book, it would be about my Christian faith and not about business.” Yet somehow it didn’t take long for my firm negative reply to give way to possibilities about including my faith (very briefly) in a book about our family business. That little seed Geraldine planted in my mind soon took root and the results are presented in this small book.

For years NOW Foods has called itself a “Christian Principled” business, which is a reflection of some family members and senior managers. The phrase “do unto others as you would have them do unto you” became part of NOW’s culture and continues as long as the spirit of our founder, my father Elwood, lives on. Though we’re far from perfect, and always will be, our agreed-upon ethics are something for me to be proud of. It’s good to work at a company where the people and products are part of the solution, rather than part of the problem.

Natural foods are part of the solution for people wanting to have physical health above a mediocre level. As a well-read manager within the natural foods industry, I’ve found research and personal use of natural products to be compelling for better health. My goal in writing this book is twofold: First, as one interested in history, to record historical events within NOW Foods and the natural foods movement as a testimony to my children and to others interested in the success of our family business. Second, to announce the inside workings at NOW, so that customers will have increased confidence in the people and products that appear in public as “NOW.”

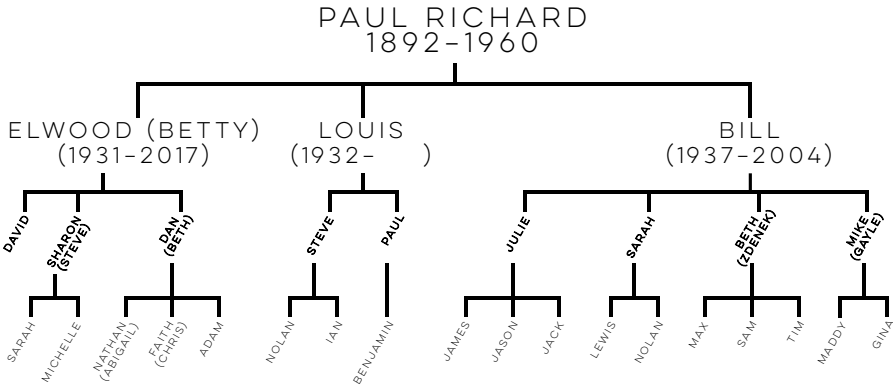
Normally a bird’s eye view would be suitable for “taking pictures” of a success like NOW. However, I firmly believe that NOW Foods has been an outstanding success, growing from under \$1 million in sales in 1985 to over \$800 million in 2021, entirely due to the grace of God. Therefore, the inside story of our third-generation business will be told not from a bird’s eye view, but a worm’s-eye view. Having worked at nearly every job within our business over the past forty years, my hope is that you will walk in my shoes while you view our story. *I am that worm. (Psalm 22:6)*

ACKNOWLEDGEMENTS

I wish to acknowledge my entire family, whose business history has made this work possible. Many different family members have helped with proofreading and made suggestions that, I hope, have made this effort more readable, accurate and useful. Of note are Uncle Lou, David, and Dana who helped in other ways as well. This book is dedicated to my father, Elwood, who has been an inspiration to myself and to so many others I have worked with. The spirit of NOW Foods is Dad, and will remain that way as long as the business and family adhere to the core values he left us.

Finally, I wish to present this record to my wife, Beth, and three children: Nathan, Faith and Adam. May you each grow to appreciate the labors of your grandfather and great-grandfather.

RICHARD FAMILY TREE*



*Includes grown family members who have worked at NOW Foods or Fearn or who own stock in 2017.

***“Generations come and generations go,
but the earth remains forever.
What has been will be again,
what has been done will be done again;
there is nothing new under the sun.”
Ecclesiastes 1: 4, 9***

1948–1960

1948 seems like a long time ago. The world was a very different place from what we see today. The entire industrial world was recovering from the horrors of World War II, Israel was reborn as a nation and the Cold War was just getting started. U.S. scientist A.E. Mirsky discovered ribonucleic acid (RNA) in human chromosomes and the junk food revolution formally began with a new hamburger café opened by Richard and Maurice McDonald.

In Chicago, a new industry called “health foods” was in its infancy and a company called Fearn was about to change hands. The new owner, Paul Richard, would help expand the potential of soybeans as a food and as a supplement in the United States. He would begin a family legacy of supplying health food stores with unique, quality foods that made a difference in people’s lives. And he would do it in memory of his good friend, Dr. Charles Fearn, who started Fearn Soya Foods as a business to supply soy products to American hospitals and drug stores.

IN THE BEGINNING

Although soybeans were an important part of Asian diets for many centuries, they were almost unknown in the United States until World War I. When the war effort began to burden the nation’s agricultural and shipping capacities, President Woodrow Wilson was informed that the soybean might be able to help the nation’s problems by providing troops with high protein foods that could easily be transported. In 1917, the U.S. Government summoned Charles E. Fearn, M.D. to the United States to help develop a soybean industry as part of the war effort. Dr. Fearn was a surgeon major in the Royal Army Medical Corps and had been in charge of a hospital in England prior to his coming to the U.S. He was recognized as a leading soybean authority and, in addition, was the first to discover biochemical relationships between B vitamins.

As Dr. Fearn began consulting on growing soybeans and processing methods, the war ended and he turned his attention to promoting the soybean in various commercial ventures. In 1920, Dr. Fearn started the Soyex Company in New York, which was one of the first processing plants for soy in the U.S. However, the public did not seem ready for the new soy foods and the company failed soon after. In 1923, Dr. Fearn moved to Chicago where he started Fearn Laboratories, later to become Fearn International. Here he partnered with a friend and developed Viana, the first liquid diet formula; Solac, an all-soybean infant formula; and Full Fat Soya Powder. When that partnership fell through, Dr. Fearn started Fearn Soya Foods in 1925, in which he developed soy cereals, soy pancake mixes and soy milk powder.

Dr. Fearn was well known to every major company and researcher in the new soybean industry. He was granted U.S. citizenship by an Act of Congress and continued to work with the Department of Agriculture throughout his years. In 1937, Dr. Fearn exchanged letters with Dr. Charles H. Mayo, founder of the Mayo Clinic in Rochester, MN, about using SOY-O cereal in their dietetics clinic. Margaret Rudkin of Pepperidge Farms wrote Dr. Fearn on Dec. 22, 1938 requesting information about experimenting with soybean flour. And the original Kraft family spoke with Dr. Fearn about using his soy powders in their products. Interestingly, in 1937, a letter from A.V. Sadacca of Battle Creek Scientific Foods stated: "I do believe that it is a good move for you to go to California, inasmuch as most of the health addicts are located there." Yes, 1937!

Unfortunately, Dr. Fearn never earned a fortune from the soybean industry since his business ventures mostly failed and Fearn Soya Foods only had one other employee at the time of his death. He died July 31, 1949 in Elgin, IL without a will and no relatives in the U.S.

A NEW BEGINNING

Paul Richard had been one of Dr. Fearn's close friends, one of the few who had not taken advantage of him. In 1947, Paul was a printing salesman and flour broker who had sold products to Dr. Fearn for about 15 years. He had been trained as a pharmacist and had actually been the youngest registered pharmacist in the state of Indiana by the time he was nineteen. Paul also worked in various trades including as a Pinkerton detective, a forest ranger at Yellowstone, a cowpuncher for a railroad and as a porter on a Pacific ocean liner! As a close friend, Paul filled in for Dr. Fearn when health forced him to stop working in early 1947. Paul saw potential in Fearn Soya Foods and purchased the company at auction from the State of Illinois for \$750 plus \$400 debt, which was two months rent at 355 West Ontario Street in Chicago.

One of the first things Paul Richard did with the business was to fill orders that had been sitting in the office for some time. Dr. Fearn had grand visions of selling Soy products to hospitals and pharmacies and didn't care to even fill orders that were mailed to him from health food distributors. Fearn Soya Foods was still not Paul's full time job, but he had a good business sense and knew that an order was an order. An early challenge came when the lone employee, Renee Kozuchowski, refused to provide Paul with the formulas for the original Fearn products because she felt that the company should have been hers. Paul Richard had to experiment for awhile before rediscovering the right combinations and enabling the business to continue.

By early 1950, Fearn was still a side business with only one part-time employee, Paul, working Saturday's and some evenings. Paul Richard continued to work as a printing salesman for Kokomo Lithograph of Kokomo, IN throughout the entire time he owned Fearn Soya. He was very frugal in his business dealings and had made a practice of buying odd lots of paper and then selling them or using them himself. As a salesman, Paul knew actual print costs and was able to quote customers print jobs on the spot, leaving many buyers in disbelief. He also knew printing process costs and was able to get his own printing costs very low as he often would know the cost before the printers would. Fearn Soya was quite a small company for a number of years.

Listed below are records of Fearn distributor sales, plus the number of wholesalers (jobbers) the company utilized per year.

YEAR	\$SALES	DISTRIBUTORS
1950	\$6,200	5
1951	\$7,600	8
1952	\$20,300	12
1953	\$16,900	8
1954	\$19,900	13
1955	\$27,300	11
1956	\$38,500	17
1957	\$56,300	20
1958	\$58,500	19
1959	\$72,200	21
1960	\$103,700	22



Original Fearn Soya packages

DISTRIBUTOR RULES

For much of the 20th century, wholesale health food distributors dominated the business and controlled manufacturers as well as retailers. These jobbers hoarded territories so that suppliers were forced to sell to the key distributors or face a huge obstacle for selling in that area. In 1950, Fearn only sold four products and the distributors were: Specialty Foods in NY, Health Food Distributors in MI, Health Food Jobbers in IL, Pavo in MN and Morton's Health Foods. Prior to this, Dr. Fearn had made great efforts to sell his soy products to hospitals and pharmacies. Paul Richard also tried to sell to pharmacies at first, but this proved fruitless and the soy products found a welcome home in the budding health food industry. Paul Richard introduced Chocolate Soy Flour in 1950 as one of the first protein supplements available. Apparently this product contained 47% protein, which was a breakthrough in those days and more affordable than meat or milk sources of protein.

About 1950 a teacher named Eugene Feuchtinger discovered that voice muscles could be improved with dietary protein, resulting in improved voice tone. He experimented with many singers by recording voice lessons both before and after using protein. One student was Irwin Johnson, who became so convinced of this theory that he guessed that all body muscles would be improved by simply ingesting higher levels of protein. Johnson researched protein sources and discovered that soybeans contain the highest level of protein. He wrote to many suppliers and processors of soybeans and eventually found Paul Richard at Fearn.

PROTEIN DRINK
Using a blender or a shaker (a tight-seal glass jar will do nicely), pour in one cup cold milk and add 4 level tablespoons of SOYA PROTEIN on TOP of the milk. Mix well. If a shaker is used, shake vigorously about 20 seconds. Flavor with honey, chocolate syrup, malted milk, etc. if desired. Fruit juice or water may be substituted for milk.

BLENDER DRINKS
If a blender is available, the addition of a scoop of ice cream, dates, banana, or strawberries, etc. adds extra taste appeal.

PANCAKES AND MUFFINS
Add one heaping tablespoon of SOYA PROTEIN to each cup of your favorite pancake mix. (Use Fearn SOY-O Pancake Mixes for best results.)

PROTEIN HONEY SPREAD
Using a spoon, blend ½ cup honey with ½ cup SOYA PROTEIN and 1 tsp. cinnamon. Store in refrigerator.

Distributed by
FEARN SOYA FOODS
A Division of Richard Foods Corp.
MELROSE PARK, ILL. MADE IN U.S.A.
60160

96% PROTEIN

SOYA PROTEIN

\$1.00
Net wt 9 oz

SOYA PROTEIN — 96% is an excellent source of protein in convenient powder form. It mixes readily with milk, water or other liquids without altering the flavor. Honey, fruit syrup, malted milk, etc. may be added as desired.

SOYA PROTEIN supplies adequate amounts of all essential amino acids. Four level tablespoons of SOYA PROTEIN dissolved in a cup of milk provides 29 grams of pure protein — more than one-third of the recommended dietary allowance for an adult male.

ECONOMY
SOYA PROTEIN is a more economical source of dietary protein than the common protein foods. Nine ounces of SOYA PROTEIN costs only \$1.00, but an equal amount of protein from beef*, milk*, eggs* or cheese* costs at least 2½, 3, 4, or 5 times as much.

WEIGHT WATCHERS
An adequate amount of protein should be consumed even when caloric intake is reduced. SOYA PROTEIN can be used with a reducing diet to assure proper protein intake. Three level tablespoons dissolved in a cup of skim milk provides 24 grams of protein with only 150 calories.

FEARN HIGH PROTEIN FOOD is a delicious blend of proteins from soybeans, milk, and yeast, and is available in three flavors: Vanilla, Chocolate, Candy. This is the protein food that was selected by the American Mount Everest Expedition.

OTHER FEARN PROTEIN FOODS
FEARN PROTEIN 700 TABLETS provide a convenient way to add protein to your diet. These tasty, chewable tablets dissolve in your mouth like candy. Each tablet supplies 450 mg. of pure protein.

NUTRITIONAL INFORMATION
SOYA PROTEIN is manufactured entirely from soybeans and contains no other ingredients. It is a nearly pure form of protein containing approximately 96% protein, 0.2% fat, 0.1% carbohydrate, and 2.7% mineral ash (anhydrous analysis). There are 170 calories per 100 grams (18 calories per level tablespoon).

*U.S. Dept. Labor, Retail Prices of Foods, 1956.

Original Fearn Soya Protein label with picture of Bill Richard

Paul Richard made a deal with Irwin Johnson, a major body building promoter, to supply a custom protein powder for his business. Fearn mixed and packaged the protein for 25 cents per pound bag, though promotion expenses and profit by Johnson made the retail price \$1.00 per bag. Interestingly, Johnson later moved to Hollywood, where he changed his name to Rheo Blair and became a nationally known personality with many enterprises. Shortly after this, Fearn also sold protein powders to Hoffman Products, which later became York Barbell in Pennsylvania. Bob Hoffman was to become the leading protein supplier in the 1970s and 1980s and Paul was always nostalgic about having helped Hoffman get started in that business.

Compared to Dr. Fearn, Paul Richard was a hands-on employer who preferred to pack flour, load trucks, pay bills and do many repetitive tasks himself. This was in contrast to Dr. Fearn who had been an English Gentleman and tended to avoid getting his hands dirty. By 1960, when Fearn had grown to have six employees, Paul would still be the one to unload truckloads of flour by hand. He also kept his desk in the production area in order to keep an eye on the basics of his business, all the while still selling flour and printing jobs as a broker.

About 1957, Paul and his wife Verna took a trip to Alaska for six weeks and Bill, the youngest son, was allowed to “run” the business in their absence. The family lived in Oak Park at the time and Bill was going into his senior year of high school. There was a big storm and a flood inundated the entire area. Power lines were down and standing water was about 18 inches deep. Authorities wouldn’t allow Bill access to the plant due to the extreme danger. At the warehouse bags of flour and cartons were stored on the ground level and it became a horrible mess of smelly, soaked bags and boxes. Bill couldn’t contact his parents, who were camping, but he worked hard to clean up the mess before they came back. The business basically stopped for almost two weeks while new supplies had to be ordered.

THE FAMILY GETS INVOLVED

Paul Richard had three sons named Elwood, Lou and Bill. These three worked at the small plant on Saturdays, packaging and mixing flour products mostly. They had great fun while learning the business from the bottom up. Elwood still recalls what they called “soy ball fights” – something that wasn’t advertised to customers at the time!

In 1949, Elwood graduated from high school and was the first to go off to college. As early as 1948, Elwood, Lou and Bill had used Fearn’s new high protein soy powder to help improve their running times in cross-country. It worked. Each of the brothers was able to reduce their distance running times enough to be noticeable. They each credited the Fearn protein powder for their improvement in running times and continued to supplement their diets with it throughout their school years.

During graduate school at Indiana University Elwood and his wife, Betty, had their first son named David. Elwood had majored in Physical Chemistry, with a minor in Biochemistry, and had been taking a course called Radiochemistry. At the time, the dangers of radioactivity were not well known and nuclear testing was in full swing. Elwood’s radio chemistry class read the background counts each day during testing at Los Alamos and found that it tripled when the radioactive cloud came over from 1500 miles away. Although tests showed no significant exposure, it soon became clear that something wasn’t very natural about that lab. David was born with a deformed thumb that required surgery as an infant and Elwood later realized that radioactivity, even in small doses, could strike and alter DNA with severe consequences. Elwood later worked at Nuclear Chicago from 1957-1960 where he was an associate physicist who worked with radiation detectors. These experiences and later discoveries led Elwood to be very cautious about today’s careless use of food irradiation.

In 1958, Betty Richard worked at Fearn for her first and last day. She was called in to help package flours and felt the work was too physically demanding for her to work every day. Her fond memory is that she set a new production record that day, while trying to impress her boss and father-in-law. About that time, the company started using a “cuss jar”, which meant that if anyone swore at work, they would have to put five cents per swear word into the jar. When enough money was collected, everybody went out to dinner for free with “cuss money.” This volunteer plan worked surprisingly well, though I wonder how today’s unions would view such a “tax” on employees.

In 1960, Elwood's mother, Verna, became ill with cancer and Elwood took time off to research and study cancer in search of a cure. Many hours were spent examining the literature for anything that could solve this immediate problem and Elwood still kept very large files about cancer research for decades. Unfortunately, Verna died in July, 1960 and Elwood joined the family business full time. Initially, Elwood's job was to fill mail orders which averaged about 6-8 orders per day. This was quite routine until one day when True Story Magazine wrote a "slim" article suggesting Fearn's low-fat soy powder was the best diet product. Within days, orders started coming in en masse, many with checks or cash. Soon, 100-150 orders per day were flowing in and Fearn's business was booming. The whole business only employed about 6 people in 1960, so everyone had to work especially hard just to keep up with the mail!

This great gift to the business ended up having a sad and unpredictable end. Paul Richard was in relatively good health despite two heart attacks and high cholesterol. The stress from the influx of business may have been what caused a final heart attack, which ended in his death on November 23, 1960. Three sons were left without both parents within six months and Fearn Soya lost its owner and business driver. The ancient proverb remains true, "*Many are the plans in a man's heart, but it is the Lord's purpose that prevails.*" (Proverbs 19:21) Death is rarely according to our timetable and Paul's death was certainly a major hurdle for the growing business and family.

***“So I saw that there is nothing better for a man
than to enjoy his work, because that is his lot.
For who can bring him to see what will happen after him?”
Ecclesiastes 3:22***

1960-1968

1960 began a revolutionary decade within the United States and worldwide. From Cuba to Vietnam, Berlin to Jerusalem, American Civil Rights to South Africa's Apartheid, the world was changing. Assassinations were far too common while East and West both raced to be the first to put a man on the Moon. The Cold War was heating up and Fidel Castro sided with the Soviet Union because of American "economic aggression." As Kennedy debated Nixon on television for the first time, TV viewers liked the better looking Kennedy, while radio listeners thought Nixon was the man of the hour. America, meanwhile, braced for a decade of cultural revolution that changed our nation, for better or for worse.

The Richard sons, Elwood, Lou and Bill, inherited a health food business that none of them really wanted. Elwood had plans to return to graduate school and devote his life to the sciences as a science teacher. He had two young children, a sickly wife and the responsibility of being the eldest son in the family. Lou had spent eight years studying engineering, physics and mathematics and had just been hired by the Martin Company in Denver as a rocket scientist. In 1960, his research on liquid hydrogen helped lead to fuel for the first manned flight to the moon. Bill was earning his MBA from M.I.T., studying and planning for a successful career in the corporate world. He prepared for technical management and actually wrote his thesis on *“Consumer Knowledge of Health Food Products”*. Their father, Paul, had left the business equally to them and there wasn't much to do except carry on their father's torch and make the business the best it could be. Elwood was left holding the bag as the eldest son and the one who was already working in the business. Lou and Bill were interested in Fearn, but were unable to be directly involved initially.

When Elwood started managing Fearn, he was only 29 years old and fairly inexperienced in the business world. He was quickly baptized by fire when the True Story craze ended and Fearn's business returned to its prior sales level. This would normally be okay, but Paul had hired about six extra workers to handle the windfall, not knowing that the dramatic influx of business would only be temporary. Elwood began managing a company that very soon had nearly twice as many employees as it needed and couldn't go on much longer with not enough work to do. He had the painful job of laying off about six good workers and later called it one of the worst days of his life. This really, really bothered Elwood. The experience was so painful that Elwood vowed that he would never be responsible for letting that happen again. It was just too difficult and unfair. Fifty years and thousands of employees later, Elwood can sleep peacefully at night knowing that he has never laid off anyone since that fateful day in 1960.

FEARN MOVES ALONG

From 1960 to 1967, sales at Fearn grew only about 6% per year, ending 1967 at about \$180,000. Elwood, Lou and Bill became intimately involved in the business as each of them had to agree on each new distributor the company added. Whenever a new distributor approached Elwood to add the Fearn line, Elwood would write a letter to Lou and Bill, lay out the pros and cons and then they would decide together if the customer deserved distributor pricing. Surprisingly, about half of those discussed were not suitable as many retailers tried to act as distributors and weren't really in the business of servicing other stores.

During this time, Elwood took a few courses at Roosevelt University and was unsure how his role would continue. He had inherited the head job in a business that didn't captivate him. He also had a very young family and a wife, Betty, who had severe allergies, so life was extremely busy. In 1961, Elwood and Betty took a month off from work to explore other areas of the country that might be more helpful for her allergies. They spent time in Denver, Phoenix and San Diego, but ended with no noticeable improvement in Betty's health. She remained chronically ill for many years, but eventually felt well enough to continue life in the Chicago area.

Meanwhile, Lou married in 1961 and took an eight month trip around the world. He had taken a leave of absence and planned to return to his job in Denver, but his experiences in traveling the world led him back to his roots in the Chicago area where he wasn't quite sure what he would do next. In 1962, Lou decided to join Elwood at Fearn and see if their father's business was something that would satisfy his quest. Lou assumed this would be short term and he eventually left to explore the theological field from 1966 – 1969. During those years together, both brothers were responsible for all management/operation functions including selling, package design, new products, billing and new equipment at Fearn. In 1964, they started oil roasting soybeans and developed a nice business producing and selling Soy-O-Snacks.

In 1962, Elwood dealt with a problem that, unfortunately, was to repeat itself a number of times with different people. While totaling the numbers for mail order sales, Elwood found that they did not add up. Elwood checked and rechecked every possible option and came to the clear conclusion that one of his key employees had stolen the missing funds. He quickly confronted the surprised worker, who had been a close and well liked friend of the family and whose mother was the main supervisor. The young man wouldn't admit any fault initially, and even swore on his father's grave, but later in the day he confessed and had to be removed from his job. *"Truthful lips endure forever, but a lying tongue lasts only for a moment."* (Proverbs 12:19) Events like this are very sad to anyone who has had a similar experience, especially so when the thief is a close, trusted friend who was as much a part of the business as anyone.

While the health food industry was still getting established, Fearn was struggling with its primary customer – distributors – who practically owned the industry. Because Fearn sold food products like soy flour, soybeans, pancake mixes and other flours, the company couldn't ship direct to retailers and was forced to rely on an unstable group of middleman distributors. In 1960, Fearn sold products through 22 natural food

distributors, of whom nearly half were out of business eight years later. Distributors were very financially unhealthy and this trend continued for several decades when weak distributors were long gone and new, mega distributors controlled vast portions of the health food trade. In 1961, Fearn's leading distributors were: Kahan & Lessin, Akin's - Tulsa, Health Food Jobbers, Sherman, Balanced Foods, Good Health, Health Food Distributors, Landstrom and NuVita. It was about this time that some of the leading distributors met together privately in an effort to collectively increase their margins from 20% to 25%. Elwood became aware of this and helped to publicize these illegal meetings to industry manufacturers and retailers. The Department of Justice looked into the matter and some manufacturers that sold through distributors tried to break free and sell direct to stores. The most visible and successful company was the William Thompson brand of vitamins, which became the #1 brand while mostly being sold direct to stores. Bill Thompson was a popular industry personality who was well liked and who was able to sell his brand direct to better stores, while using distributors for the smaller stores.

HEALTH HOUSE BEGINS

By 1962, Elwood decided to open his own health food store for three reasons: First, to learn more about the health food business from the retailer's point of view. He knew enough about overall health from Fearn and his own family, but he didn't have a connection with the public to see what they wanted and what would work. A retail store would be a convenient way to study the market, while building on Fearn's small mail order division. Second, an independent store would be able to keep an eye on distributors, who had just started duplicating Fearn's products in their own private brands. For several years Elwood kept his ownership of Health House a secret so that he could talk to representatives from distributors and manufacturers with their guard down. And third, Elwood felt that health food retailing would be a good business to make money, while at the same time helping people become healthier. Once again, Elwood, Lou and Bill were equal financial partners in the new retail venture, with Elwood leading the charge for day-to-day business.

Elwood lived in Elmhurst, IL and found a retail site in town that looked ideal. He quickly signed a lease for the store, but soon discovered that the building was one inch over the correct property line and a legal tangle ensued. Nine months later, an alternate site was chosen, on Second street in downtown Elmhurst. Elwood operated as an absentee owner, hiring a Cuban refugee as the first manager. Elwood was desperate for anybody to fill this job and the young woman was equally desperate for a job. At that time, very few people were willing to take on this position in a store that didn't show much promise, and even fewer were qualified with a nutrition education. The young woman was intelligent, personable and a ready worker, but she spoke broken English and knew nothing about health foods or retail management. Some days, sales were as low as \$15 for the entire day! The health food movement was still very young, struggling financially and definitely not recognized as a bona fide industry. The term "health food nut" came to life and I recall my father being the subject of many "friendly" jokes.

Somehow Health House began selling over \$2,000 per month in 1964 and a new customer named Florence Shibley began frequenting the store. She started working on Saturday's in late 1964 and became manager full time in 1965. Florence became such an

important part of Elwood's success that words can only begin to express his appreciation for her. She had a very kind way of servicing customers and later had customers drive up to 100 miles to visit her and the store. She was a dedicated believer in natural foods and a born sales lady. Florence worked full time, and then some, while Elwood put in about 12 hours at the store per week in addition to 60 hours at Fearn. Florence single-handedly built Elwood's retail store into a success and annual retail sales are recorded below:

YEAR	\$SALES
1964	\$25,392
1965	\$38,292
1966	\$49,404
1967	\$65,604
1968	\$79,572

In 1968, Elwood had his only serious problem with Florence and it happened like this. After five years of losing money at the store, Health House finally made a profit and Elwood decided to give raises to the employees that made the store successful. He increased Florence's pay from \$1.30 per hour to \$1.55 per hour and gave a second lady a nickel raise to celebrate. Surprisingly, Florence became enraged at her co-worker's raise, because she felt that the other lady was not worth the increase! She was so upset that she walked out of the store during midday and didn't return. Elwood chased after her and, eventually, settled her down enough to reconsider her decision. In the end, Florence came back to the store only after Elwood promised her that he would open a second store that she would run basically on her own. In 1969, the Lombard Health House opened and quickly became a success. Within three years, Florence had that store humming, selling over \$140,000 in Lombard alone in 1971. The other lady, Helen Howard, stayed in Elmhurst and became quite a health believer herself. She developed inoperable breast cancer and began reading Adelle Davis' words of wisdom in her books. Helen eventually put her cancer in remission and cured herself by consuming very high doses of antioxidant vitamins C and E.

Meanwhile, at Fearn, another big break came when Fearn's high protein powder was used by the U.S. team that climbed Mt. Everest in 1963. This was major publicity for Fearn and led to a whole campaign of window banners, store literature, industry news and a rush on the product. 'High Protein Food' was labeled "for athletes, body builders, and those wishing to develop strong muscles. A natural food supplement containing all needed amino acids, in convenient form for energy, vigor and vitality. High in biological value, pleasant tasting and economical." Somehow that old-time marketing verbiage looked partly extra honest and partly extra promotional. "You can set records too", ads claimed. In one sense this was quite true as Elwood, Lou and Bill all used soy protein powder in their high school years, and each noticed better times in distance running after using the product. Elwood later did research with Joe Newton, the Elmhurst high school cross-country coach, using soy protein for endurance. Joe Newton was such a running icon, winning many state and national cross-country championships, that he later became the only high school cross-country coach to serve on the Olympic Committee!



Fearn booth at the NNFA Trade Show

Another interesting side note to Fearn's soy protein efforts was that Bill Richard was photographed by a semi-professional for the front of the label. He was the strongest of the three brothers and looked in fine form throwing a shot put on the new label. As runners, Elwood and Lou were both too skinny to be seriously used for a muscle product. But Bill provided a 1960s, hulky look that was probably modern for the day, but today looks retro with old school shorts.

THE NEED FOR NOW

One day in 1968 Elwood was working at his Health House store in Elmhurst and a problem erupted that led to the creation of NOW. At the time, Elam Mills was the leading brand of flours, corn meals, grains, peanut butter and more, and had been recently sold to another company, which started selling those products in grocery stores. Elwood was unhappy about this, because his local Jewel grocery store was a very large store and could sell at lower prices. Elam Mills had been sold in every health food store, so dropping the line didn't seem like a practical idea. Because he was so busy, it never quite sank in that Jewel was offering the same Elam Mills products at his wholesale cost.

One day a customer walked in to Health House and was outraged that he had overpaid on Elam Mills products. He called Elwood "a dirty robber" and walked out. When a second customer repeated the same complaint loudly, it bothered Elwood to his core because he agreed that they were correct and had a right to be angry. The products did cost too much and the same item shouldn't be available at 2/3 the price just two blocks away. Elwood was really touched by these events and he immediately made plans to make sure that he would never be in such an embarrassing situation again. He quickly came up with a strategy that would allow his small hole-in-the-wall store to be able to compete with the "big boys." Never again would high prices drive his customers to shop elsewhere. It was time for his upstart health food store to provide good prices in addition

to the healthy products, nutritional knowledge and excellent customer service. It was time for Elwood to beat the odds and change the game in his favor.

Because Elwood was still the president of Fearn, he knew raw material costs, blending costs, shipping costs, packaging costs and distributor costs. He also knew that the Fearn plant had excess packaging capacity particularly between jobs, when extra hands were available. He couldn't sell his own Fearn products directly to his store, because that might upset his local distributor, and since the health food business was so small, that could have created even bigger problems at Fearn. So Elwood decided to package his existing bulk flours at the Fearn plant with a different name and a different label. The new package would be sold direct to his store, eliminating the distributor markup, salesman commissions and normal freight costs. By leveraging the Fearn resources, Elwood had a plan that made sense and he had the willpower to make it happen.



Bill Richard (second from left) and Elwood Richard (right) with two customers

The name “N O W” was chosen because industry standards were a big concern and this acronym stood for Natural, Organic and Wholesome. Elwood and Lou defined these categories specifically so that there would not be confusion over what is natural and what is not. For instance, Natural meant that “agricultural chemicals were used to raise these products, but no preservatives or chemicals of any type were used in processing, preparing or preserving the product.” Likewise, Organic meant “grown on composted soil, raised, processed and preserved without the use of chemical fertilizers, herbicides, pesticides, fumigants or chemicals of any type in any step.” Finally, Wholesome meant “Synthetic, but identical to natural in molecular shape and structure.” An example of wholesome might be Vitamin C, which is naturally sourced from corn, but is synthesized in several production processes. Another is the amino acid L-methionine, which is the naturally occurring form, compared to DL-methionine, which is not naturally produced from a food. Incidentally, the name NOW has no relation to the National Organization of Women, which also goes by the same name, NOW. To my knowledge, NOW Foods

claimed the name first in 1968, though it was not officially incorporated until 1973. Every once in a while we still get questioned about our name and the other NOW. In general, I've found that women tend to like the association, which is in name only, while men don't give the matter a second thought!

The first NOW products packaged at Fearn for Health House were Non-Fat Dry Milk Powder, Soy Powder, Soy Protein, Whole Wheat Flour, Corn Meal and Vitamin E. This new venture was destined to reinvent distribution within natural foods stores as the low-cost strategy has proved to win the day. Even quality Fearn products could be made affordable, given the right circumstances, and Elwood ended up being ahead of his time with this idea. For about 25 years, no other major vitamin brand followed this strategy of focusing on value. All of the 'leading' brands either sold direct at high profit margins or through distributors who increased the end cost as well.

As 1968 ended, Fearn was growing nicely, Health House was finally profitable and NOW Foods had started as a minor private label in one small health food store. Who would have thought that from that humble beginning NOW would grow into the large corporation that it is today? Certainly not Elwood, who only wanted to supply his store with products that would compete on the basis of value. Even he couldn't start dreaming yet about supplying tens of millions of consumers every year with a brand of products like NOW does today. The revolution had begun and it was time to start another new business in the fledging natural foods industry. As the good book says, *"By wisdom a house is built, and by understanding it is established; by knowledge the rooms are filled with all precious and pleasant riches."* (Proverbs 24:3-4)

***“So whatever you wish that men would do to you,
do so to them; for this is the law and the prophets.”***

Matthew 7:12

1969–1977

1969 was a revolutionary year in many respects. The infamous Woodstock Music Festival awakened an entire nation to the vast numbers and pent up emotions behind the country's youth movement. The Middle-East welcomed two new leaders, Yassir Arafat of the PLO and Muammar Quaddafi of Libya, both world figures who dominated their respective peoples for decades. The U.S. finally won the race for putting the first man on the moon when Neil Armstrong uttered his famous quote, “that's one small step for man, one giant leap for mankind.” And the legacy of Vietnam was lived in these years, a time when America was becoming much less known as ‘the beautiful’, and much more ‘the polluted.’

In 1969, Elwood was fully engaged in running three separate businesses, which were each tailored to the fringe movement known as “health foods.” Fearn – the natural food manufacturing division – reached its zenith during the 1970s, growing rapidly in sales while introducing many new products and becoming the first in the industry to package with stabilizing nitrogen flushing. Health House – the retail health food arm – grew dramatically from one to five stores in only four years, including the opening of the largest natural foods store in the Midwest. NOW Foods – the private label for Health House – grew because of the stores and soon began to reach out to other local health food stores willing to take on a generic line of natural foods and vitamins. Elwood was extremely busy at this time and the workload only increased as growth and unexpected problems took their toll.

FEARN MAKES ITS MOVE

Fearn grew about 30% in 1970, as Lou Richard returned to the family business in which he still had a major stake. 1971 was even better as Fearn took advantage of the booming health food market and actually jumped 77% in one year. It was during this time that the Richard brothers first considered selling Fearn outright or merging with other companies. In 1971, Elwood and Lou had formal discussions with Nutrition World, a Minnesota retail chain, about merging their businesses and going public. Several parties were interested in purchasing Fearn and a letter of intent was signed in 1972 to sell the company to one of them. Due to financing problems, the buyer was unable to come up with enough cash and the deal fell apart.

About this time, Fearn's finances were full of debt. In April of 1972, the company's bank put Fearn on an accounts receivable program, severely limiting working capital to complete expansion plans. Fearn had just tripled its warehouse space, added new machinery and introduced a number of new products. The sudden growth spurt and capital investments needed to continue almost ended up ruining the company! Fortunately, Chuck Fanaro, a friend of Elwood's, came to the rescue and loaned the company enough money to continue operations.

In November, 1971, Fearn purchased a very small company called D. Needham Sons & Co. for \$405. This small firm was founded in 1878 and made red clover extract, which sold at \$2.00 for 6 ounces of powder. In the 1950s, tests had been run at the University of Wisconsin for the treatment of cancer. The prior owner spent about \$750 for the research, but the end results on mice were inconclusive. Fearn bought the company for next-to-nothing, and pretty much got next-to-nothing from it. Though the product showed promise, the lack of solid research hindered sales efforts and red clover extract soon faded out of the business.



1970's Fearn's new packaging

Elwood and Lou shared a passion in running Fearn, and trying to influence the natural foods movement in a direction towards higher quality. In the early 1970s, Quaker Oats introduced a new “100% natural” Crunchy Granola that some felt was misleading. Lou felt that the term ‘natural’ should be restricted to foods that did not contain preservatives, synthetic ingredients, or artificial chemicals used in processing. Fearn developed comprehensive definitions for the terms ‘natural’, ‘organic’ and ‘health food’, and Lou actually went to Washington, D.C. to testify before the Federal Trade Commission on a proposed regulation to define these same terms. Due to the change in administrations in 1980, and a new anti-regulatory sentiment in Congress, the proposed rule was never adopted. But in some ways, it had been helpful to Elwood and Lou because it stimulated them to think through exactly what these terms meant for Fearn and NOW products. They asked questions of vendors that were unheard of at the time. Sometimes the answers weren’t very forthcoming. As it became clear what their standard for ‘natural’ really meant, it became more difficult and more expensive to find clean ingredients that met their strict requirements.

Fearn exhibited at the 1970 NNFA (National Nutritional Foods Association) national trade convention and Elwood came home with a wide array of business ideas that he was determined to implement. He saw many changes taking place in the health food industry and anticipated even more. Elwood wrote an extensive report for his brothers, complete with the following predictions that have eventually proved true:

- General Nutrition Centers were growing quite rapidly and Elwood guessed that GNC could supply one third of all goods sold in the health food industry. Although GNC never met that lofty estimate in dollars, its 8000+ stores do dominate all U.S. health food stores in 2018.
- The FDA hearings to eliminate capsules or tablets sold without prescriptions for potencies over 150% of the RDA (recommended daily allowance) would fail. Still, as a hedge, Elwood proceeded to introduce over 75 powdered supplements just in case new regulations caused traditional supplements to be phased out. “Take a Powder” became a new slogan that helped NOW launch the only line of pure or complexed powdered vitamins, minerals, amino acids and digestive aids.
- That health food products would move into supermarkets within a couple of years, despite retailer furor over sales to discount operations. Elwood felt the #1 brand Thompson did cross the line and initiated sales to supermarkets. Unfortunately for Thompson, health food retailers boycotted the brand and supermarkets proved to be much less suitable or friendly compared to independents. Thompson’s name was marred and it is still trying to recover decades after multiple owners ran the top brand into the ground.
- That the level of technical knowledge within the industry would increase substantially in years to come. In 1970, research was not as advanced as today and government resistance to alternative health products greatly hindered technical information and open communication to the public. This would change greatly with the passing of The Vitamin Bill in 1976, which provided Americans with basic freedoms to choose and use supplements based upon their own informed decisions.
- That wholesaler dominance would draw to a close as more and more stores started buying direct from manufacturers. As a result of wholesaler’s sales to supermarkets, independent health food stores started their own private label lines that would only be available at their store. Both retailers and manufacturers began trying to find ways to bypass distributors as price competition drove businesses to seek new venues and alliances.

LOU AND ELWOOD CHANGE ROLES

In 1972 Lou became President of Fearn while Elwood spent the majority of his time at his retail stores and distribution center. Lou and Bill sometimes saw things differently than Elwood and the time seemed to come for the family to deal with the changing times. Elwood had different dreams than his two brothers, though they all wanted to supply independent health food stores with quality, real quality, natural food products. Accomplishing changes within family dynamics can sometimes leave bitter feelings, but these brothers managed to keep busy growing their related businesses and it all seems more appropriate years later. Lou’s engineering skills helped Fearn introduce the first nitrogen flush packaging in the natural food industry. The ‘Naturefresh’ process was used in products like wheat germ to extend shelf life and avoid early spoilage. This unique process worked quite well and helped Fearn become the top-selling brand of wheat germ in health food stores.

In 1971, Elwood and Lou helped to start the National Nutritional Foods Association's (NNFA) Standards Committee. They reserved a large room at the convention hotel in Portland, Oregon and invited all of the exhibitors and suppliers to attend. The room was packed and there was a lively discussion of the need for industry standards. After considerable discussion and follow-up communication, the NNFA officially organized the Standards Committee and Danny Wells, a well known industry figure for decades, became the head. NNFA members were asked to complete information sheets on each of their products, and these sheets were assembled into the Standards Handbook. Unfortunately, some members did not comply and the Handbook was always incomplete. Lou was elected to the Standards Committee and served as the Chairman of the Food Division for eight years. Lou was also elected to serve as Chairman of the Manufacturing Division of NNFA. Out of these early committees has come NNFA's TruLabel and GMP programs, both of which NOW Foods has enthusiastically participated in and supported.

HEALTH HOUSE EXPANDS & CHANGES NAMES

In 1968, Elwood had promised Florence Shibley her own store and this started an amazing run of retail growth. The Lombard Health House opened in 1969 and took off far quicker than expected. In 1970, a third location was added in Skokie and the fourth opened the following year in Berwyn. Listed below are retail sales totals for the stores as they grew at a frenetic pace.

YEAR	\$\$SALES	STORES
1968	\$79,572	Elmhurst
1969	\$229,596	Elmhurst, Lombard
1970	\$558,936	Elmhurst, Lombard, Skokie
1971	\$727,534	Elmhurst, Lombard, Skokie, Berwyn
1972	\$987,264	Elmhurst, Lombard, Skokie, Berwyn, Downers Grove

In 1972, Health House was forced to change its name due to a bizarre series of unexpected events. The new Berwyn store opened in a former grocery store location and, at 6,000 sq. ft., was the largest natural foods store in the Midwest. It had a 1970s juice bar, an absentee owner and a host of employee problems that weren't known until the entire business almost went bankrupt!

The Berwyn store opened in late 1970 and sold a record amount from day one for a Health House store. On paper the store was profitable almost from the start, but somehow the store was consuming money in ways that weren't fully understood. The Elmhurst store manager had been promoted to run the superstore and he virtually ended our family business due to his extensive thievery of store products. The manager had opened his own personal store in a nearby town while he was still Elwood's trusted manager in Berwyn. Apparently he had set up a convenient situation for himself where he would steal large amounts of inventory from Health House on a regular basis and use it to supply his own start-up store. Even after the manager left Elwood's store, he continued to regularly steal inventory from the Berwyn store with the help of the new manager. That man was later known to be a professional thief who had a partner who was a real burglar alarm expert.

Eventually Elwood hired a private detective who caught the ex-employee red-handed and had Chicago police arrest him. His weak defense was that he was merely “transferring” goods that he intended to pay for later. The case went to trial and the ex-manager managed to escape punishment on a technicality as Chicago police did not have jurisdiction to make an arrest in Berwyn. Those who are familiar with Chicago and Berwyn’s political and legal histories of corruption won’t be surprised by such levels of injustice. Crime seems to pay in the short term, though *“riches do not profit in the day of wrath.”* (Proverbs 11:4) In a short time, Elwood’s natural food empire nearly went up in smoke and Elwood needed to put in 100-hour work weeks for nearly two years to stabilize the business and help the stores survive.

To add insult to injury, the same manager incorporated his own store with the same retail name – Health House – as Elwood’s store because Elwood had never properly incorporated the retail store name. As a result, Elwood, Lou and Bill met November 17, 1971 and determined to change the name of the retail stores to avoid litigation. Names discussed included: The Fruitful Yield, NOW, To Your Health, Ounce of Prevention, The Hump-Backed Whale, Rich Earth, All in the Family and Fertile Plains. One month later the name “Fruitful Yield” was chosen and that name has been used in the Richards’ retail stores ever since.

FDA VS. HEALTH FOOD MOVEMENT

By the mid-1960s, the FDA had begun a series of “big brother” initiatives that threatened the entire health food industry. The fringe health food movement somehow caught the government’s attention in the wrong way and the FDA and FTC proceeded to wage war against an honest industry trying to help people’s health. Hard to believe? Sure, but the facts are history and Frank Murray chronicled the battle in his detailed book, “More Than One Slingshot.”

“Why would government agencies, which are partially funded by taxes from the health food industry, attack the health food industry? The motives become clear when you realize that critics of the health food industry often go to work as Washington bureaucrats after working in the food and chemical industries, and they later return to high-paying jobs in these same industries. Conflicts of interest, you say? Of course!”

In the late 1960s and early 1970s, Elwood and Lou found themselves pulled into political conflicts that threatened their retail business as well as their entire customer base for Fearn and NOW Foods. All of their eggs were in one big basket and the FDA pursued an illogical strategy of squashing the health food trade regardless of right or wrong. Listed below are some of FDA’s worst public decisions as late as 1975:

1. That vitamin E and zinc were both considered non-essential nutrients.
2. That vitamin potencies in excess of 150% of the current RDA would only be available by prescription from a doctor. You could drink all the orange juice you wanted, but a mere 100 mg vitamin C tablet would only be available at a drug store under doctor’s orders.
3. That health food stores should not be allowed to sell nutritional books or dispense nutritional information!

4. That the average American diet is so ideal that supplementation is not necessary, and likely more harmful than helpful anyway. Because the RDAs were designed for healthy 22-year-old males, the FDA assumed the same nutrient requirements would work for everyone else.
5. That FDA had a right to ban all safe supplements which failed to meet officially determined standards.
6. That non-essential nutrients (CoQ10, ginkgo biloba, L-carnitine, evening primrose oil, echinacea, etc.) would be prohibited from being listed on labels or in advertisements. At the time of this proposed regulation, even important minerals like potassium, chromium and selenium were considered non-essential and would have been virtually banned. A supplier could have added lecithin to a heart or brain formula as long as the labels and advertisements didn't say so.
7. That there is no nutritional difference between a natural source and a synthetic source vitamin. Indeed, the official "Findings of Fact" concluded that natural source vitamins may contain other ingredients which may limit their absorption.

If this sounds like the dark ages, it was - for the health food movement. Is it really possible for an unbiased, scientific group of bureaucrats to come up with worse rubbish?

The natural foods industry fought back and won a key appeal August 15, 1974 that reversed earlier FDA initiatives and proved to be a landmark decision. In 1973, Senator William Proxmire (D-WI) introduced the Food Supplement Amendment in support of individual rights to buy vitamins without excessive regulations.

A number of public hearings were held involving senators, congressmen, experts such as Dr. Linus Pauling, and lay people. The war of words ended April 22, 1976 when the Historic Heart and Lung Act was signed into law with the "Vitamin Bill" (Proxmire Act) attached. This sweeping victory provided the health food industry and the Richard businesses with legitimacy and security in a regulatory environment that had been threatening alternative health businesses for decades.

WELCOME ABOARD AL POWERS

On March 4, 1974 Al Powers joined NOW Foods as an accountant who could help Elwood with some big business expertise. Al had worked at Carson Pirie Scott department stores and became their youngest manager ever. He became the Assistant Comptroller and gained broad experience in Carson's management trainee program which involved all aspects of that business. Eventually Al tired of big business politics and he welcomed the change to a hands-on position where he could make a real difference.

What Al didn't know at the time was that NOW Foods and The Fruitful Yield were on the edge of bankruptcy and heading there fast. In 1973, the businesses lost about \$100,000 as more retail theft continued and NOW Foods was paying start-up costs in the form of new products, new employees, new advertising and new customers. When Al first visited the Berwyn store, he saw a disorganized, loose, sloppy operation with no security in place and no formal goals set up for managers. Al jumped into the retail side



1. Al Powers (second from right) with Franko Columbo (right) in the 1970's

of the business only because he was skilled and available, and the situation looked so bleak from an organizational perspective. Initially, Al had to clean up some inefficient retail practices, get rid of dishonest employees, implement a security program and set up formal goals and expectations for each store manager. Al also had the job of meeting the weekly payroll requirements with virtually nothing in the bank.

Al still has distinct memories from ‘the good old days’ at the old Fearn building. As an educated accountant, Al was very surprised to see Elwood regularly using a slide rule to do all business calculations. Even in 1974 slide rules were obsolete to everyone – except maybe Elwood! (Believe it or not, in 2004 the president of NOW Foods still used a slide rule in preference over “slow” calculators for a variety of daily calculations.) Even though a slide rule is inexact at certain decimal points, it has served Elwood surprisingly well over the years. To anyone born after World War II it is a wonder that slide rules are even close to being correct and a bigger surprise that anyone knows how to use one!

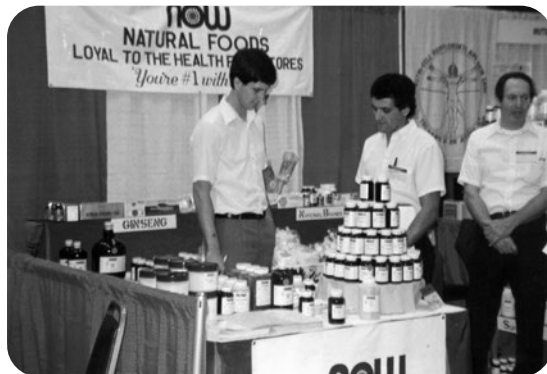
The Berwyn store continued to suffer excessive inventory shrinkage throughout 1974, as up to six employees were fired for stealing. Al and a private detective sometimes stayed up all night outside the Berwyn store in order to catch the thieves in action. One time the private investigator actually had to pull a gun to arrest a bodybuilder who resisted the attempted arrest. Another employee opened his own store in the suburbs and proceeded to transfer goods to his new store. It became apparent when York barbells, which were in short supply, were found at his store and missing from the Berwyn store. Another private investigator caught that employee red-handed moving product at night in his car and he was arrested. But the charge didn't hold up as the thief claimed that he intended to pay for the goods.

To make matters worse, the thief sued The Fruitful Yield for defamation of character and he actually won about \$5,000. Sometimes life just isn't fair, as this unfortunate history repeated itself much to the chagrin of Elwood and Al Powers. The Chicago area judicial system once again proved just how crooked and unjust it could be – sometimes for just the right price. A strange thing happened during this time that may or may not have anything to do with this case. Sharon, Elwood's daughter, was working one late afternoon at NOW Foods office in Melrose Park when a car drove by and someone fired a shot at the large window. She was sitting near the window and it caused quite a scare in the office. No one ever found out who did this, but it seemed a little too coincidental to be random violence.

DAVID AND DAN GET STARTED

In 1972, David Richard was a wrestler at York High School and he continually had nose bleed problems. Since wrestlers can't compete while dripping blood all over, David needed to find a solution or else he wouldn't be able to wrestle competitively. Dad suggested that he try alfalfa tea which is rich in vitamin K and would help to clot his blood properly. After some youthful skepticism, David tried the tea and it worked better than expected. But David wasn't convinced at first, so he avoided alfalfa tea for awhile and ended up with a bloody nose at his next match. After one more trial-and-error experiment, David became a believer in alfalfa tea and the effects of natural foods in general. It's a sure saying that "we are what we eat" and most people need to "feel" the effects of natural food products in order to become converted.

While Lou's children grew up working at the Fearn side of the business, Elwood's three kids took turns working as packagers at NOW or in the retail stores. I remember packaging 5-10 hours per week starting as young as ten years old, and actually setting records that the full-timers couldn't beat. Dad paid everyone eight cents per piece for a long time until a friend and I earned so much that it caused a problem with the adult workers. It was a sad day when my piece-rate was reduced to six cents per unit, although earning \$3-4 per hour tax-free as a pre-teen was still pretty good money in 1974. The worst smelling products to package were autolyzed yeast powder, liver powder and spirulina powder. Any fine powder seemed to end up everywhere, so my favorite products to package were foods that also tasted good: salted soy halves, carob and yogurt-coated raisins and nuts.



Dan Richard, Doug Murguia & Elwood Richard 1986 at a convention

NOW GETS GOING

By 1972, NOW Foods was off and running with a six-page price list, over 120 products and 200 total sizes. NOW greatly benefited from Fearn's purchasing power, which enabled the fledgling discounter an advantage over other food packagers. Listed below are some of the items from NOW's October 1, 1972 price list:

PRODUCT	SIZE	WHOLESALE	RETAIL
Alfalfa Leaf Tea	18-4 oz	\$5.88/case	\$0.49
Alfalfa Seeds	18-1 lb	\$10.68/case	0.89
Baking Soda	100 lb	\$8.50	-
Bran Flakes	50 lb	\$5.50	-
Brewer's Yeast Powder	12-1 lb	\$8.00/case	1.00
Pinto Beans, Organic	18-1 lb	\$5.20/case	0.45
Rolled Oats	50 lb	\$4.00	-
Soy Protein, Pure	12-10 oz	\$8.00/case	1.00
Sunflower Seeds, Hulled	18-1 lb	\$9.48/case	0.79
Turbinado Sugar	12-2 lb	\$6.00/case	0.75
Wheat Germ, Raw	80 lb	\$11.00	-

In 1971, a friend of Elwood's named Norm Zilmer introduced Dad to the first inventory control system that was simple to maintain, accurate and low-cost. Norm was a local pharmacist and one of his vendors had provided him with the "split-box" inventory form that made ordering for stores much easier and helped to contain excess inventory. Elwood used this inventory system in his own stores and later offered it to outside customers after he found it worked so well. The Sunflower Seed health food store in Chicago claimed that this simple system helped reduce its inventory by six figures while increasing the annual inventory turns substantially.

The owner of the Sunflower Seed was Ina Walker, and she ended up being NOW's top customer for over a decade. Ina had been a charismatic and unconventional public relations worker prior to opening her own health food store. She had many unique ideas that helped her store become a success for over three decades. One time she solved her store mice problem easily enough by simply keeping cats in the store. She also sold NOW products to nearly everyone who came to her store by explaining that with labels and packaging as ugly as they were, the product inside had to be good.

One time a drunk came into her store and Ina insisted that he leave immediately. She told him that she only allowed one drunk in per month and she already had one drunk that month, so he would have to leave. That seemed reasonable enough to the drunk, so he left without any fuss or objection. Sadly, one day Ina was violently robbed at her own store, shot in the head and left in a coma. Remarkably, she recovered from the horrors of that day, but the injuries left her permanently robbed of ideal health. Her store, however, continued to operate successfully until 2005 as a testament to what hard work, conviction, value and customer service can accomplish.

INTRODUCING BOB EDWARDS

Another colorful character from NOW's early years was Bob Edwards, owner of Crystal Lake Health Foods in Crystal Lake, Illinois. Bob liked to pick up his orders and he developed an odd reputation for always spending at least one hour talking to Elwood and anyone else who would listen. He had a lot of interesting stories and was one of NOW's best customers, but Elwood was extremely busy and actually had to devise a "Bob Edwards alarm system" as a polite way to end never-ending conversations.

Bob was a super sales guy who sometimes played tricks to get a sale. He was known to call residents of Crystal Lake with a pretend survey, leading respondents to conclude that Crystal Lake Health Foods was the best place locally to buy vitamins. Another trick he played was on people who complained that the tablet size of his favorite multiple was too big. Bob kept a horse enema tablet under the counter and compared the two in size, making his multiple tablet look very small by comparison. Bob also opened a second health food store in Boulder, Colorado, which served as a personal vacation spot. Sometimes he would buy just-expired yogurt for four cents-a-cup and give it away in order to encourage customers to try the taste. He told people of the expiration date, but the price was too good for most people to pass up.

About 1974 Bob started working for NOW as the local (and only) salesman. He was very good at landing new store customers and increasing existing customers' business as well. Unfortunately, Bob developed kidney cancer at a relatively young age. He went to Mexico for some unorthodox treatments, but it was too late and a good man passed away. It's amazing how much business associates can touch other people's lives with happy memories that last for a lifetime.

NOW STRUGGLES ALONG

In 1975 NOW was selling apricot kernel pits, which naturally contain a trace component known as laetrile. Although the FDA and the American Cancer Society had declared laetrile to be useless in the treatment of cancer, many people consumed high amounts of apricot kernel pits because of the high laetrile content. One day the FDA visited NOW Foods with an armed U.S. Marshal and proceeded to seize and destroy about 200 lbs. of apricot kernel pits. When Elwood tried to retrieve his inventory, he was told that the FDA had a case against the apricot pits themselves and not against NOW Foods. Apparently the FDA declared the actual pits to be the defendant and wouldn't allow NOW to defend itself, since NOW was not accused of anything! Where was the due process of law? Elwood would still like to know.

From 1972–1976, business at NOW was pretty bleak and profits (actually losses) were even worse. If my parents hadn't inherited a mortgage-free home when Paul and Verna died, they would never have been able to get additional financing for the business. For years, our family home in Elmhurst was used as collateral in order to keep the business running. My parents didn't tell any of the kids how severe finances had become and none of us knew that Dad would go long stretches without receiving any paycheck because of NOW's financial problems.

Family finances bottomed out when David went to Illinois State University in 1974 with tuition and housing paid for by our parents. It was an emotionally shocking and depressing day for David when he was pulled from class on the first day of college because the tuition check had bounced. It is certainly a blessing for our family today to look back in the past and realize how far our business has come, enabling each of us to avoid such embarrassments both now and, hopefully, in the future. As the good book says, *"I will make them a blessing...and I will send down the showers in their season; they shall be showers of blessing."* (Ezekiel 34:26)

***“I have seen the business that God has given
to the sons of men to be busy with.
He has made everything beautiful in its time.”
Ecclesiastes 3:10-11***

1978-1984

Life is full of surprises and our world marches on to the beat of a different drummer every day. In 1978, the world's first test-tube baby was born in Britain, conceived by a revolutionary technique called “in vitro.” At the same time, the World Health Organization announced that the deadly smallpox disease had finally been eradicated worldwide. In Jonestown, Guyana, the Rev. Jim Jones led over 900 cult members to a mass suicide that is still known decades later simply as “Jonestown.” And the Shah of Iran, America's good friend, left for a permanent vacation after being forced out by Muslim fundamentalists. The Ayatollah Khomeini seized power and held America and its diplomats hostage for 444 days, while the rest of the world watched from the sidelines.

In 1978, Elwood and Lou Richard continued to build their respective health food businesses. The time came for NOW Foods to leave the protection of its mother company, Fearn, and venture out into Chicago's western suburbs with its own facility and higher rent. Fearn, the original family legacy, peaked in these years and began sliding downhill in concert with the nation's recession. Eventually the company was sold to Modern Products under financial pressures, though part of the Richard family spirit still yearned for “the good old days at Fearn.” This period was one of lean years when the retail, wholesale and manufacturing divisions were all spinning their wheels and groping for enough financial success to simply keep the door open. It was also a time when a number of key health food managers found their way to the NOW Foods family and helped to provide seed money, which enabled the businesses to keep functioning.

NOW MOVES TO VILLA PARK

By 1978, NOW Foods was still supported by the advantages of being Fearn's sister company. For years, NOW had used Fearn's purchasing power and inventory by borrowing whatever was needed and later paying for the inventory exchange. Both businesses were located next door to each other in a connected building that served each company pretty well. Fearn had leased a neighbor's building in 1972 and bridged the two so that it could expand inventory and handle expected growth. NOW's offices were originally in the unused side of the warehouse building, so both businesses gained from better use of the space.

The total space of the two buildings was about 34,000 sq. ft., which seemed immense to young kids like myself, who viewed the place more like a wonderful hide-and-seek playground. I still recall my father, Elwood, organizing occasional evening volleyball games in the Fearn warehouse. Someone would have to move quite a few skids of product each time in order to have enough room to play. Elwood and Lou knew that they operated businesses in different ways and each tried to give the other enough freedom to succeed independently. Lou was much neater than Elwood, and he always wanted the entire plant to be neat and clean and orderly. All one needed to do was view

the inventory in the warehouse to see how their personalities differed. Fearn’s products were neatly boxed on full pallets, which were neatly set in organized rows. NOW’s inventory looked like a flea market in a warehouse, with scattered small rows of products showing much less attention to appearance. The differences in office décor were even more startling.

After years of shared inventory and warehouse space Lou decided it was time for NOW Foods to find its own home. He envisioned Fearn needing more office and warehouse space, and seemed to feel that the time was right for the companies to separate and expand on their own. Each company ended up paying a price – higher rent – as well as a less convenient relationship of inventory sharing and delivery costs. Yet what turned out to be bad for business in the short-term, ended up being a blessing in disguise for NOW. In 1979, NOW moved into a small 7,000 sq. ft. building at 721 N. Yale, Villa Park, IL. That was much larger than NOW’s portion of the Fearn plant had been and allowed Elwood to introduce and stock many new products. Though NOW struggled for years and years to make a profit, the pioneering spirit of perseverance and ingenuity prevailed and Elwood found a way to make ends meet.

Below are sales for the three family businesses during this period:

YEAR	RETAIL SALES	NOW SALES	FEARN SALES
1978	\$1,691,425	\$472, 385	\$1,192,296
1979	1,739,494	494,058	1,400,000 est.
1980	1,902,292	595,089	1,700,000 est.
1981	2,164,178	769,362	1,996,922
1982	2,121,828	862,723	1,643,068
1983	2,160,225	945,880	1,558,931
1984	2,222,130	943,182	1,400,000 est.

This period was difficult for NOW and Fearn, while the retail stores generally profited enough to keep NOW afloat. Elwood had wanted NOW to provide such good value to customers that he didn’t make it a top priority to be overly profitable at NOW. Thankfully, some key employees like Al Powers and Doug Murguia worked the stores successfully and gave the company enough working cash to expand when the opportunity presented itself.

INTRODUCING DOUG MURGUIA

Doug joined The Fruitful Yield in the mid-1970s and soon became the manager of the smallest store in the chain in Downers Grove. That store was a former house and selling space was limited to about 800 sq. ft., or the equivalent of an average garage. Doug managed to grow that store’s sales so fast that he set company records for sales growth and sales per sq. ft. He made a practice of having “Kelp Days” or “Lecithin Days” or “Cod Liver Oil Days” and made a big deal with displays, samples, sales and nutritional education. He taught his employees to try to sell the special product to every customer that walked through the door and was extremely successful. He became the retail chain’s

marketing manager and tried to duplicate his efforts at other stores, with mixed success. Some other managers were extremely independent and reluctant to change to a system that clearly worked.

Later, Doug became NOW's marketing manager and he taught me the basics of selling over the phone. Make lots of calls. Up-sell every order. Push every new product. Build good customers into better ones. Have a plan and follow through. Be courteous. Be honest. Help customers grow their business. Listen. Doug mentored me for several years and enabled me to later oversee NOW's expanded sales and marketing efforts. He was a key employee at a key time in NOW's history and provided substantial experience and leadership to myself and many others.

Doug was a very dedicated and unique natural foods enthusiast who became a Vegan, which is the strictest diet for Vegetarians. He experienced life to the fullest and often had mind-boggling stories that never failed to impress. Doug strongly believed in mind-over-matter miracles and seemed able to accomplish super-human feats. One time he shut himself into his home, turned off all electrical devices, closed all curtains and cut off all contact with the outside world. He was into Yoga and decided to fast and meditate as long as one week. He actually went without food or water for six days and claimed he could have gone on longer, but was afraid that he might become unconscious and die. Humans are only supposed to last for three days without water, but Doug proved to himself that mental and physical limitations can be expanded.

Doug was fairly normal in height, but he wanted to be a little bit taller. He started hanging upside down daily using gravity boots and actually worked out with weights while being upside down. Every morning and evening Doug would measure his height, and he told Elwood that he would literally grow one inch each morning and return to his normal height at night.

Another time Doug proved to a friend that he could improve his weight-lifting efforts without physically lifting weights. He had a contest and determined to visualize daily weight-lifting exercises and "see" himself lifting more and more weights. His friend trained at the gym regularly and was sure that he would improve his weight totals far more than Doug. However, when they competed against each other some time later, Doug's mental workouts proved to increase his weight-lifting totals more than his friend's. Though Doug was one of the best salesmen I've ever met, he often said that he never wanted to be remembered as a vitamin salesman. The potential miracles inside all people were what drove Doug to be the person he was.

GARY KLEINMAN

In 1978 Gary joined The Fruitful Yield after working as a manager for Nature Food Centers. He started in the company manager trainee program in Elmhurst and Berwyn and remembers the most disastrous day of his career. Gary showed up in Elmhurst for his very first day and Shirley Kollenburg, the manager, asked him to clean up a couple of displays to get started. The store had a huge case stack of Hain's 32 oz Safflower oil, which was very popular and packed in glass. While organizing the display, Gary managed to knock the whole stack over and a number of bottles broke. The oil ended up

everywhere, including all over Gary's clothes. During lunch Gary went home, changed clothes and went back to work ready to redeem himself. He should have stayed home! His afternoon assignment was to clean up the apple juice display and Gary managed to drop about three gallons of apple juice, which were also packed in glass bottles. Juice was a mess everywhere when Denise, the assistant manager, came back from lunch and exclaimed, "I can't believe it. He did it again!" She just sat there and stared incredulously for the longest time, while Gary started cleaning the same area all over again. After twenty five years within the company, Gary more than made up for his initiation nightmare.



Gary Kleinman (center) in Downers Grove Fruitful Yield in 1980

Given Gary's initial mishaps it's a wonder that he kept his job beyond the first week at all, much less grow to be an important company manager. Fortunately for Gary and many others, Elwood had organized The Fruitful Yield and NOW Foods so that an employee actually had to work pretty hard to get fired. Honest errors are tolerated by Elwood's companies far more than normal. In Gary's case, it proved to be the right decision for both parties as Gary later built his store to be #1 in sales and eventually became a retail district manager. As one who has made many errors while trying to do too much, or deciding too quickly, I'm thankful that our company disciplinary climate is unusually friendly to our work force.

Gary also recalled a couple of humorous days when he was the manager at the Downers Grove store. One elderly customer, who seemed to be hard of hearing, walked in one day and went to the back of the store and looked through the refrigerator. Holding up a bottle of liquid Acidophilus, the customer shouted real loud, "I have diarrhea, is this good for diarrhea?" Another time the store's stock boy was dressed up as a turkey and told to walk the street out by the front of the store to draw attention to Thanksgiving specials. Three guys in a car pulled up and playfully tried to kidnap the turkey! The stock boy wasn't sure whether this was a prank or not, so he literally had to fight back and then run into the store for help.

INTRODUCING JIM ROZA

In 1980, Jim Roza joined The Fruitful Yield as another manager trainee at Elmhurst and Berwyn. Jim had originally taught science in the Chicago School System. After years of teaching inner-city school students, he decided it was time for a change. With a knowledge of natural foods and supplements, Jim became a GNC manager and learned the basics of health food retailing and management. By 1985, Jim took over the large Berwyn store and had many interesting days with bizarre customers and psychedelic employees.

Because the Berwyn store was such a well-known, super-sized health food store, many industry personalities found their way to visit Jim at the store. Franco Columbo, a body builder who was nationally recognized, did a book signing at the store and spent time talking to many customers. Dale Alexander, who became billed as the Codfather, gave talks at Berwyn as well as local radio shows selling everyone in sight on the value of Cod Liver Oil. He was quite a character with an intense message and he could really sell an audience. "Everyone should take Cod Liver Oil for a dozen reasons" was part of his regular speech. The Codfather would list in flowery language how amazingly many bodily functions could be improved by simply ingesting Dale Alexander liquid Cod Liver Oil. He was quite the showman, and everyone loved to hear him talk.

During one of the store's promotions, about 400 people came to the store on a Saturday. The store was packed! Nobody could even move within the store! Dale Alexander was on a makeshift platform and he sold cod liver oil like a carnival promoter. All of the parking spaces in the neighborhood were filled. The police even spoke to Al Powers and warned him not to do this again since the event broke the fire code for having too many people in the store. The Berwyn store set an all-time record for single-day sales and cod liver oil in particular. Eventually the lease came up for the Berwyn store and the landlord wanted to triple the rent. Although the store had been nicely profitable for many years, it was forced to move and downsize.

About that time, Jim caught his bookkeeper stealing products out the back door after some other employees tipped him off. She was fired, but not arrested, due to the store's prior problems in prosecuting employee theft. Hoping to cash in at the company's expense, she filed a complaint for wrongful dismissal, but fortunately that motion was dismissed.

After the store moved to Cicero, a drug bust occurred in front of the store that shocked the employees and customers. The employees had watched a man with a large automatic gun get out of a car going the wrong way on a one way street. They hit the alarm button and ran out the back door when they saw him walking toward their store. The Cicero police phoned after the alarm "call" and explained what was happening. "Don't worry; we know all about it. A drug bust is in progress. You have more protection than you'll ever need and it's closer than you think!" About 30 minutes later, two ATF (or similar officials) men accompanied a handcuffed man to the unmarked car and drove him away.



Jim Roza (left) with the Mayor

MORE EMPLOYEE STORIES

About 1980, Soudary Aphayavoung started working at NOW as a refugee from Laos. She became so good at packaging flours and grains that she almost single-handedly kept NOW in the low-cost natural food business. Her family had escaped communism in Laos and eventually much of her family worked at NOW, including her brothers Soudasonne and Soudasak. I had the pleasure of training Soudary in the finer qualities and quantities of food packaging when she was just getting started. Her hand speed was so impressive that later I had to challenge her to a packaging contest to see who was really the fastest. I had always been the fastest in the past and assumed that this would remain true as long as I did my best. Unfortunately for me, I was no match for Soudary, and there was no need to consider a rematch from my point of view. Soudary later developed a proud, bossy reputation because she really was the best at what she did. Nobody could come close to her talent and hustle.

One day an employee, Matt Doyle, noticed that the warehouse manager had stolen bulk inositol powder and reported it to Elwood. A brief investigation ensued and the manager was fired, but not forgotten. The manager was normally fairly laid back, but threatened Elwood at his dismissal. He showed up at work a little while later with a large Native American and was ready to do some damage to the place. I assumed he had mixed our inositol powder with some other illegal white powder and was behaving uncharacteristically violent because of it. The whole conflict ended peacefully, after Elwood talked to him at length, and that was the last we saw of him.

Another interesting associate was Mitch Blankenburg of Chase Chemical and Encapsulations. He was a very large man, about 280 pounds, who made his living selling bulk tablets, capsules and softgels to companies like NOW. He was a good sales guy, very friendly and able to get us purchasing deals that were normally better than other sources. Since he had access to unlimited vitamin samples and supplies, I asked him what vitamins he normally took. I still remember the irony in his answer: "I'm not a pill popper." It was a strange response coming from a salesman of hundreds of millions of pills every year. It's kind of like seeing a vastly overweight salesman trying to sell the low-carb diet, or a health food store owner who smokes outside the store. Something is wrong with those pictures. But then again, we all have our weaknesses, don't we?

THE SKOKIE STORE

My father is fond of telling stories and one of his favorites involved the Skokie store. Skokie is a suburb north of Chicago that has been home to a large Jewish population for many years. Of course the Jewish people are known for their exceptional negotiation skills, which were first recorded in Genesis. There Abraham bargained with God over how many righteous people were required in Sodom to avoid God's wrath. (Genesis 18) Anyway, one day a customer walked into the Skokie store when Dad was working and basically demanded a discount on a pack of chewing gum! He spent a long time negotiating for 10% off the 29 cent pack of gum and made quite an impression on my father. After finally agreeing to pay full price for the gum, the customer exclaimed, "You're not going to charge me sales tax too!"

Another time, Elwood was short-handed and needed to send an older employee named Bert to the Skokie store to help fill in. Elwood was doing inventories and working the register when a customer asked him for some nutritional help. Because he was busy, he suggested the customer talk to the other worker, Bert Gesheidle. Upon hearing the other employee's last name, the customer remarked rather slowly, "Gesheidle, that sounds like a German name." Elwood was totally embarrassed and speechless because he had never considered customer feelings like this in Skokie. Needless to say, Bert ended up being an excellent employee for The Fruitful Yield in his retirement years – at the Elmhurst store.

During the summer of 1974, Elwood was planning to close the Skokie store because it had lost money for a long time and it was again without a manager. However, my brother David was available and needed a job, so Dad sent him to that store as manager for the summer. Though this was David's first retail job, he had a natural knack for servicing customers and doing the little things that make stores successful. He filled the shelves, got customers what they wanted and went the extra mile to satisfy customers. By the end of the summer, the store had grown 20% in sales and was financially back on track. Dad found another manager to replace David, who was starting college, and the store lasted for another 30 years before closing due to lease problems.

Listed below are some interesting monthly historical numbers from April, 1978. Some of the store sizes included large back rooms or basements.

STORE	RENT	SALES	SQ. FT.	COST/SQ. FT.
Berwyn	\$1,600	\$55,000	6,200	\$3.10
Downers Grove	\$550	\$27,000	1,800	\$3.66
Elmhurst	\$700	\$25,000	2,400	\$3.50
Lombard	\$300	\$14,000	1,000	\$3.60
Skokie	\$400	\$16,000	1,430	\$3.40
NOW Foods	\$1,800	\$55,000	7,000	\$3.50

BACK TO NOW

By 1980, NOW's "Full Line" wholesale catalog had grown to include over 800 different sizes of natural food products. Unique niche products filled the catalog: Peanut flour, Carob Wheat Germ, Guar Beans, Carob Pod Pieces, Rosemary Leaves, Kleenraw Sugar, Uncoffee, Nucleic Acid Powder, Copper Powder, Molasses Powder and Black Currant Powder. Because NOW used such cheap (and ugly) black-and-white labels, it was very inexpensive and convenient to package many different sizes for the same product. Here's a sampling of what was offered by NOW in 1980:

- 41 different sizes of vitamin E products
- 28 different sizes of vitamin A & D products
- 28 different sizes of natural sweeteners
- 87 powdered vitamins, minerals and amino acids
- 57 different sizes of herbal teas, mostly cut and sifted
- 100 beans, grains, rice and meals - packaged and bulk
- 52 specialty flours
- Plus a lot of odds and ends that other distributors didn't handle

Elwood clearly loved to supply unusual products that mainstream distributors passed over due to low sales. His game plan was as strong as ever: Focus on providing quality products at the lowest prices and offer unique products that could only be found at NOW. Though this strategy did not produce handsome financial results for many years, the plan was in place and ready for the right circumstances. Elwood had done an excellent job of coming up with a business plan that made sense and put years of effort into making the dream a reality. With an improved label and better packaging to come, NOW was positioned to make a big move and solidify its place as a true friend to natural food enthusiasts all over the world. Elwood embodied the proverb in the good book which says, *"The plans of the diligent lead surely to abundance."* (Proverbs 21:5)



Dan Richard (center) in 1977 working at his first NNFA Trade Show



Elwood Richard (facing customers) about 1975

***“My son, do not forget my teaching, but let your heart keep my commandments;
For length of days and years of life and abundant welfare will they give you.
Let not loyalty and faithfulness forsake you; bind them about your neck,
write them on the tablet of your heart, so you will find favor
and good repute in the sight of God and man.”
Proverbs 3:1-4***

1985-1988

Historians call a major event that changes the course of history a “watershed”. In most respects 1985 was an ordinary year with no major wars, political stability in the western world and no life-changing inventions introduced. U.S. President Ronald Reagan moved to gain the upper hand in arms control and reached agreement with Soviet Premier Mikhail Gorbachov on arms reduction. A unique musical collaboration of big name artists produced a song called “We Are The World” that helped to sweep the world into social consciousness. And the U.S. was finally recovering from a recession that had affected our economy for several years.

At NOW Foods, however, 1985 easily goes down in infamy as our year of decision. No, the decision wasn't about what new labels we should consider. It wasn't about new employees, though the year did mark my initial full-time employment at NOW. It wasn't about what new products should be introduced or FDA enforcement or industry news. The big decision came to be, “Should we stay in business, or should we close ‘the factory?’” By mid-year NOW's books were so full of red ink that it looked like our ship was ready to sink. Recent years of low sales, low margins, slow moving inventory and high bad debts created a situation where our future looked very bleak. Our year-end inventory had come back with shocking results and our company ended up in the red by about \$100,000. With under \$1 million in NOW sales for the year, this loss was overwhelming.

I came aboard the company after graduating from Illinois State in May and joined the dozen or so employees. I never knew that my years in college were preparing me to join NOW, or in what capacity. As with most students, I never even interviewed until my final semester and that was limited to a single campus interview with Osco Drug. I was so nervous that I'm sure I made a horrible impression and never did hear anything, good or bad, from Osco. Having followed my older brother, David, to ISU as well as the business field, I assumed my future would follow his to outside work, without seriously considering the family business.

That changed quickly when I came home for Spring Break and Dad offered me a position, without even needing to interview! I had already worked at NOW and our local health food store for about 10 years part time, so my rough edges were already well known to my father. What I didn't know is what aspect of the business I would take to, but I assumed I would continue working in the warehouse, picking orders, packing UPS shipments, taking inventory, cleaning up and reorganizing the mess that our warehouse had become. That all changed when my father came to talk soon after receiving the bad inventory news. His brief statement was something like, “We need to increase sales quickly or NOW Foods will be out of business.”

This desperate situation was quite a shock to everyone including my father. A strange contrast is that at the time of our worst financial situation we still offered a unique employee benefit of paid basketball time in the parking lot! Most of the warehouse guys played basketball during the afternoon break while the ladies inside got an extra break, knowing the boss was outside teaching the next generation a thing or two about left-handed hook shots! Those were precious moments for warehouse workers like myself and helped to keep loyalty among staff who were likely underpaid. Our small crew developed into quite a tight family so that each worker felt part of the team and part of a worthwhile cause.

With a clear message to grow sales or else, I became a salesman overnight. My past view of insurance salesmen and similar sales jobs had to be thrown out as I was about to become one of them! Only a few months out of college, called “the kid” by the office secretary, and lacking any industry or product knowledge, I was thrown to the wolves as a last ditch effort to grow sales and keep the company afloat. Fortunately, our in-house sales and marketing guru, Doug Murguía, taught me the basics and then some to help lead the way for immediate growth. Even when our business was miniscule and losing money, Doug had the vision that NOW could be the #1 brand in health food stores. Though I thought he was crazy at the time, it did turn out that having a vision and working toward that goal helped make our success a reality. As one of the prophets said, “Where there is no vision, the people perish.”

Some of the traits that make a salesman successful were needed in a hurry: Be productive, make a lot of cold calls, upsell existing customers, know and listen to customers, be persistent and offer customers something that logically will help their business. Knowing that 80% of sales are made after the fifth call is reason enough to get on the phone and make 80 quality calls per day. In those days we hand-wrote and manually priced our invoices, so I became adept at invoicing orders while calling around the country in search of new customers.

MAX EPA

About 1984, R.P. Scherer, a large softgel manufacturer in Florida, introduced a new fish oil supplement made by Seven Seas Ltd. in England. MaxEPA sales started slowly, since this type of fish oil concentrate was a new category and not yet seen in this country. The product supplies EPA and DHA, which are now commonly called Omega-3 fatty acids and still listed on all fish oil supplements. Sometime in 1985 publicity about how MaxEPA could reduce cholesterol and improve heart health spread like wildfire. National TV stations ran health reports about how new research showed amazing results with MaxEPA. It became the biggest “craze” I’d ever seen and had a dramatic effect on NOW Foods and our sales efforts. It didn’t hurt that we were selling 100 softgels for under \$8 retail, while all the “national brands” – as we called them – were retailing the same product for \$20!

Suddenly we were able to call potential customers and offer the amazing MaxEPA for practically pennies on the dollar. It was the easiest sale in the world and I latched on to it like an animal that won't let go. We started to get a new wholesale customer every day as stores realized what a great value NOW was offering, while allowing them to compete with mail order companies that advertised in Prevention magazine. MaxEPA opened up doors to customers that might never have considered NOW because we had the right product at the right time in the right place. While some may call business breaks like this luck, I'll call it providence and count my blessings.

By 1986, MaxEPA was such a hit, and we had sold it so well, that 30% of NOW's entire business was in this new, fishy supplement. Retail health food stores, which stocked 3,000 different products, sold up to 15% of total sales in MaxEPA alone during this period. As with all great ideas and products, generic knock-offs soon appeared and NOW, also, introduced a lower cost Omega-3 softgel with the same exact potency and composition. In response, R.P. Scherer began imprinting each softgel with the name "MaxEPA" to differentiate the original, documented and researched product from generic copies. For NOW, this was a coup, because in the past competitors had claimed that somehow NOW's MaxEPA was inferior to theirs. Of course it was identical all along, made by the same supplier, but now the imprint guaranteed the quality and authenticity of NOW brand MaxEPA.

One interesting side note to the MaxEPA story is that when a generic supply of Omega-3 came out, the supplier cost was about half that of MaxEPA. As a buyer, I pleaded with R.P. Scherer to reduce its price substantially to compete with the newer offerings. It just seemed a matter of time before consumers woke up to buying a better deal, whether it had the magical 'MaxEPA' name on it or not. As with many profit centers, companies are very reluctant to reduce prices when the cost goes down or when the market dictates price competition. Fifteen years later the generic Omega-3 outsold MaxEPA by fifty to one, though it didn't necessarily have to be. Twenty years later NOW discontinued selling MaxEPA, though other fish oil supplements became very popular

Thanks to MaxEPA, NOW grew dramatically – 32% in 1986 and 38% in 1987 – with nearly 300 new wholesale accounts each year. Unfortunately, like many products that are over-hyped by the media, the bubble tends to burst quickly, sometimes for no good reason at all. In 1987, a report came out critical of MaxEPA, stating that since MaxEPA naturally contains cholesterol, it couldn't possibly reduce cholesterol and might even cause cardiovascular problems. Since the media seems to love "cures" as well as "health frauds", it picked up this story and drove MaxEPA into the ground. The product we counted on, and couldn't bottle fast enough, quickly became an inventory problem, virtually overnight. Though R.P. Scherer later introduced a cholesterol-free version, and the negative report had erred badly regarding LDL and HDL levels, the bad news was overwhelming. It's a sad thing to see bad things happen that shouldn't. Too bad MaxEPA wasn't the last important health product severely injured by the media.

I learned one other critical business lesson from the success of MaxEPA. In the summer of 1985, NOW sales were mostly natural grains and flours, condiments, teas and bulk products. One memorable product was the 100 lb. size of ‘medium’ bran flakes that cost us as low as six cents per pound by the truckload. Since mainstream food processors started removing the bran from wheat to make white wheat flour – without regard to the loss of nutrients and fiber – there was an excess of wheat bran available practically free. In fact, we had several promotions where NOW gave away these huge 100 lb bags of bran free to stores with \$250 orders. For a cost of only \$6, it seemed like a bargain promotion that cornered the local market for bran and led to increased bulk sales.

I was working in the warehouse at the time and would receive these shipments and put the stock away as space allowed. Because of the size of the bags, nearly half had to be lifted up since they always seemed to fall off the pallets. It was heavy labor largely because of the big size and it seemed like at least one bag each shipment would rip on the pallet and need to be taped. Also, since we had no walk-in cooler on site, every summer inevitably led to moth problems and bran had to be thrown away. The cheap bran was bulky, leaky, buggy and an inventory hazard that was difficult to handle. Conversely, MaxEPA was a quick, easy, clean, profitable, simple sale that pointed NOW in the direction of becoming NOW Vitamins, not NOW Foods. As an order picker, it just seemed so easy to pick and pack a case of MaxEPA, compared to all the hassles of massive bags of bran for the same amount of sales. Learning this lesson helped lead NOW to a whole new field providing vitamins, minerals, amino acids and herbal capsules in addition to still supplying our variety of natural foods. Hence the name “NOW Foods” stuck, even though food sales became a very small part of our business. Foods remained part of our genes, in our corporate blood.

CHANGING TIMES

As sales at NOW took off, it’s interesting to view how best sellers changed and how natural food product cycles evolve. By 1985, NOW was basically seen as a food distributor that supplied a wide variety of unique products. Inventory was filled with unique products such as Puffed Amaranth, Carob Filberts, Carob Walnuts, Corn Germ, Yogurt Stars, Whole Dulse Leaves, Barley Bran, Kelp Flakes, Honey Powder, Eggshell Powder, Black Currant Powder, Blue Cheese Powder and Black Turtle Beans! Additionally, we sold fairly large quantities of Linseed oil softgels, which was later upgraded to organic Flax Seed Oil. Other oddities included Hunza organic dried fruits and Ceramic People Feeders, a plastic container that made you wonder what it was really for! Listed below were NOW’s best sellers for this period:

1985 BEST SELLERS

- #1 “Juice Packed” Bulk, dried Papaya Spears
- #2 Fructose Granules, derived from beets
- #3 Lecithin Granules

1986 BEST SELLERS

- #1 MaxEPA (by a landslide)
- #2 Vitamin E-400 d-alpha capsules (as softgels were called)
- #3 Vitamin E-400 mixed tocopherols

1987 BEST SELLERS

- #1 MaxEPA
- #2 L-Tryptophan 500 mg capsules (new to NOW)
- #3 Vitamin E (Mixed & d-alpha)

1988 BEST SELLERS

- #1 Oat Bran, bulk
- #2 L-Tryptophan 500 mg capsules
- #3 CoQ10 30 mg capsules (new to NOW)



1987 New labeling ad for NOW

NOW's sales progression moved somewhat quickly into new vitamin products and away from foods, with one major exception – Oat Bran. The amazing MaxEPA craze crash-landed hard and the next craze was just getting started. For better or worse, the natural foods industry has gone from rags to riches and riches to rags due to the American public's insatiable desire for "the quick fix." When national TV broadcasts information about vitamins or organic foods, the health food industry sits on edge hoping for a positive report, while fearful of negative news. Sometimes the media seems like a big conspiracy by big business and the FDA. Other times the media is so friendly to natural supplements that you'd think they're a public relations extension of our own company! *"It seems healthy to the soul to ride out bumps in the road and not be too anxious about tomorrow, for tomorrow will be anxious for itself."* (Matthew 6:34)

With MaxEPA fading fast, several new NOW products helped to keep sales growing. In 1988, Oat Bran caught the attention of the national media and proceeded to become our top seller for the year. Oat Bran sales actually increased 1000% in one year, with Oat Bran being in such demand that we had to limit purchases and ration the new precious commodity. Suppliers couldn't make enough as even Quaker Oats had serious production shortages trying to meet their surprising sales levels. The media had, again, created this craze while rightly pointing out that Oat Bran naturally reduces cholesterol. As consumers tend to overreact using natural products, it seemed everyone, everywhere was into this new, bland breakfast food. Elwood Richard made it known at the time that

ANY good fiber – Psyllium Husks, Corn Bran, Rice Bran, Wheat Bran – would also reduce cholesterol about 10% if taken in similar amounts. Alas, the only voice heard was that of the media which had turned a normal, healthy natural food into a miracle cure. I wonder why it is that we are so gullible to accept what we read in papers and see on TV. As with other natural fads, Oat Bran sales skyrocketed for awhile only to return to its pre-hype days, moving aside to make way for the next big wave.

RISE AND FALL OF TRYPTOPHAN

The next big hit was L-Tryptophan, which gradually climbed to the top sales spot without any crazy media hype. NOW introduced L-Tryptophan capsules in 1986 and followed up with new 500 mg & 1000 mg tablets in 1987 due to strong demand. By 1988, singular amino acids had steadily grown to be widely used and L-Tryptophan grew the most because people could feel its impact quickly. Primarily used for insomnia and PMS, Tryptophan was safely used by 10 to 15 million Americans daily since 1972. L-Tryptophan is a natural amino acid found in all protein and is considered “essential” in that it cannot be synthesized in the body and must be obtained from food or supplements. The ‘L’ form is the natural form, compared to the ‘DL’ form, which is not found in protein or nature. A large glass of milk or a turkey dinner contains about 500 mg Tryptophan and this is the reason why people get sleepy after a large Thanksgiving dinner. It’s natural, of course, and Tryptophan is ingested as part of every food containing protein.

Because Tryptophan is difficult and expensive to extract from protein sources, several Japanese pharmaceutical manufacturers began synthesizing it using a proprietary fermentation process. Elwood Richard had investigated the process used to make Tryptophan prior to NOW selling the product, but was unable to obtain specific details as these were carefully guarded “trade secrets.” Since Tryptophan was sold in the natural ‘L’ form, is an essential amino acid, and had been safely sold for years, NOW began offering Tryptophan to consumers wanting a better value for a product that worked. Within only three years time, Tryptophan sales peaked at 30% of NOW’s total sales and had, effectively, replaced the loss of MaxEPA.

But at, oh, what a cost. By the fall of 1989 a mysterious blood disorder spread across the nation and the common denominator turned out to be L-Tryptophan. By 1989, six Japanese manufacturers were producing Tryptophan, one starting as late as 1983. That company, Showa Denko, became the largest US supplier thanks to a new, state-of-the-art production method called genetic engineering. That errant process, plus a change in the carbon filters, produced a contaminated product that seemed to cause Eosinophilia myalgia syndrome – EMS – a mysterious affliction causing severe muscle pain, high white blood cell counts and, in about 36 cases, death. Thousands of people were afflicted with EMS, and all were traced to the same bad batch of Tryptophan made by Showa Denko. In November 1989, the Food and Drug Administration issued a rare recall of all Tryptophan products until the exact causes were known. Though the real reason became public less than three months later, the FDA continued to blame the amino acid ‘Tryptophan’, instead of the isolated, contaminated product made by Showa Denko, Safe Tryptophan was withheld from the marketplace indefinitely. Beyond the human losses innocently involved in this travesty, two serious issues arose. Most importantly, does genetic engineering unnaturally change foods and supplements to

become health hazards? And did the FDA act in the public's best interest, or for political gain, by withholding Tryptophan from millions of consumers after the contamination was documented and isolated?

Thanks to gene splicing, pharmaceutical and major food companies have been able to genetically alter microorganisms so that they can increase reproductive rates and decrease fermentation costs. Records show that Showa Denko had introduced a new, genetically modified strain of bacteria, known as Strain V, into its production to increase Tryptophan output just prior to the EMS outbreak in the US. While the exact connection between genetically modified strains of bacteria and EMS are still subject to debate, it's clear that producers are tampering with nature with potential toxic effects. If the Tryptophan contamination was a direct result of the new gene-splicing technology, the poisonings would be the first deaths traced directly to the expanding biotech business. Because of Elwood Richard's serious reservations about genetic engineering, which is manipulation of living creature genes, NOW avoids genetic engineering (GMO) in products and tries to require vendors to guarantee non-GMO products.

Meanwhile, the FDA withheld Tryptophan from the over-the-counter market despite conclusive evidence that an isolated impurity from one manufacturer caused EMS. In the August, 1990 issue of *The New England Journal of Medicine*, a medical and scientific case was outlined which ran counter to FDA's thinking. It concluded that the outbreak of EMS "resulted from the ingestion of a chemical constituent that was associated with specific tryptophan-manufacturing conditions at one company." The question remains, then, why didn't the FDA release safe Tryptophan for sale to a public clamoring for the product? Health advocates point to FDA's historic anti-health food bias as reason enough to drag its feet and let the bad press doom the product forever. Indeed, the overall market for amino acids dropped noticeably in 1990 as consumers feared health problems with all isolated amino acids. In this situation the FDA enforced its case for 16 years before allowing tryptophan back into the dietary supplement market. In 2005, FDA lifted its import ban and now lists tryptophan as GRAS (Generally Recognized As Safe).

BUSINESS LESSON FROM JERUSALEM

In 1986, I was fortunate to visit Israel for the first time and enjoyed seeing the Holy Land and all the famous sites I had read about. As a history buff in college, I had studied the land of the Bible and been mystified at the Dead Sea, Masada, Sea of Galilee and many other historical-religious sites. But nothing compared to Jerusalem, the Holy City for three major religions and the city of my dreams. The Psalmist wrote, "For the Lord has chosen Zion; he has desired it for his habitation: 'This is my resting place for ever; here I will dwell, for I have desired it.'" (Psalm 132:13-14) Compared to suburban USA, Jerusalem is a world class metropolis with extreme cross cultures and a bizarre, backward way of life. A visitor gets the feeling that the clock has turned back in time as life in the Old City moves with a distinct roughness.

Shopping for goods in the Old City takes getting used to as haggling is the only way to do business. I was told early on that Arab shopkeepers would be offended if they didn't get a chance to negotiate sales of their products and I found that to be true. Walking down the skinny, dirty walkways is challenging to the senses as Israeli Arabs loudly call

for your attention and literally move you into their tiny shops to see their irresistible goods. What I didn't realize at the moment is how these shopkeepers had developed an amazing science for buying and selling. Many sellers could detect I was American and some could even tell from what part of the country based on my accent. They would offer me a soft drink, invite me to sit down and then parade their wares in front of me until a sale was made. I had never seen such sophisticated service and salesmanship from such an unexpected place! Later, as I became more focused on selling NOW products to health food stores, I realized what an education I had received about true salesmanship.

An equal, and unexpected, lesson came in the form of purchasing. By 1986, my father had allowed me to purchase some products and I went at it knowing that all things are negotiable. In the past, since our purchasing power was very small, we were forced into paying full price or simply price shopping for the best deal. But I soon learned just how negotiable our raw materials were and that helped pave the way for NOW to offer even lower prices than before. One purchase from R.P. Scherer was memorable for me since it was our company's largest purchase to date, though unknown to me at the time. I ordered \$80,000 in one order for only MaxEPA and Vitamin E, or over 10% of all purchases for the year. This deal was our first big purchasing discount and was only scarred by my ignorance of our bank balance, or the lack of a bank balance! I didn't think enough about paying for the bill, only what great sales we could offer with the new discount. It's important for businesses to have a balance between salesmen with dreams and practical managers who will have to pay the bills when they come due.

NEW CUSTOMERS GALORE

With a renewed focus on selling to new customers and the blessings of the MaxEPA craze, NOW products found their way to millions of new consumers everywhere. Chain health food stores like Vitamin Cottage in CO, Sun Harvest Farms (later part of Sprouts chain) in TX, Richards Whole Foods in FL, Arizona Health Foods in AZ and Boney's Markets in CA all became sales targets that sooner or later became large customers. These chains' purchasing volume was a new thing to NOW and exciting for young salesmen like me. I still have notes from our first big sale, \$1,368.34, to Vitamin Cottage of Denver in January, 1986. Sitting next to my father in our crowded Villa Park office became fun as orders like this meant that the company would survive and thrive. I can still recall relaying many technical questions from customers to Elwood and back, while trying to remember the answers for next time. The natural foods business has so many different products and so many different particulars that it takes a long time to become educated in the field. Indeed, one can never stop learning as science changes, new plant extracts are discovered and new issues demand new answers.

In mid-1985, my father, Elwood, had a new idea of posting our weekly number of orders shipped and the dollars sold for the week. Prior to this sales numbers were considered confidential and most employees didn't have any clue about how badly the company was doing. After our financial situation was explained to employees, the focus became how WE could grow sales and see the results immediately. By the end of 1985, an average week would total about 70 orders for just under \$20,000. By 2013, NOW would sell each day what the same company did in an entire year! Though the idea of posting sales seemed minor at the time, it was a good idea that caught on with the small

circle of employees. We started to give free lunches for everyone whenever a new record was set, though that soon became too much as NOW became flooded with blessings of many record weeks.

About late 1986, NOW received free publicity from the unlikeliest of sources. The National Enquirer ran a story about a new, amazing weight loss product that would produce instant results for all types of people. It would expand in people's stomachs, giving dieters a full feeling without going hungry. The unique product was Guar Gum, a natural dietary fiber that NOW had stocked for years and was thinking about dropping due to low sales. The article noted at the end that the product was available at health food stores or from NOW Foods and it gave our address as well. We were totally unprepared for this and had no advance notice that there was about to be the greatest run ever on a product like Guar. Within hours of release we started getting phone calls from consumers as well as stores who needed the product immediately. Within days, NOW's mail peaked at up to 300 letters daily, many desperate for the amazing Guar Gum, some with blank checks and orders for a three month supply! We capitalized as best as we could, but our packagers could produce only so many bottles, and our two-person sales office could only handle so many calls. The real kicker is that we sold only one size at the time, 4 oz powder which wholesaled at \$0.80 and retailed at \$1.19. We soon introduced an 8 oz size and several years later added Guar capsules to supply the demand. As a salesperson, I wished we had raised the price immediately to cash in on the gold rush, but we kept to our original prices and supplied a great deal to many dieters.

By 1987, NOW had unwittingly developed into a supplier of products that were used in the drug trade. Somehow drug dealers figured out that they could cut certain drugs with inositol, a white B-vitamin powder still widely sold today for the same reason. Some drug dealers would use lactose, a natural sweetener, or some other suitable white powder for blending as well. Others would buy large quantities of empty gelatin capsules to encapsulate who-knows-what kind of drug product into them. The whole idea was abhorrent to Elwood, who had introduced six different sized empty gelatin capsules so that customers could fill their own NOW vitamin powders. By doing this, people would save money, avoid fillers and swallowing problems, and be able to take larger quantities of vitamin and mineral powders.

One noteworthy customer named Howard owned a small herb shop in Baltimore and, in a short time, became one of NOW's largest customers. It seems that he cultured sales to drug dealers and found NOW to be his best cost for the empty capsules that his customers wanted. Initially, Howard would order once a month, later once a week, and, eventually, nearly every day. Near the end this little shop was ordering over 1000 bags of 100 size capsules and requesting air shipments, something new to NOW at the time. The final straw broke when our customer was so frantic for instant profits that he requested a large order that day and for NOW to deliver it to O'Hare airport and put it on the next plane to Baltimore! That was when Elwood refused to cooperate and the customer eventually left us for some other vendor less concerned about morality and the law. Another time NOW products were shown on local TV during a drug bust and Elwood had to answer to friends who inquired why his products were involved. That's when he set up a new anti-drug allocation policy that required every order to have at least

50% non-drug potential products. That turned many customers away, including Whole Foods Market in Texas, which for some reason chose to only buy our empty capsules at one of their stores. These incidents seem humorous today, but Elwood's choices clearly pointed NOW in an ethical direction which said that profits would not prevail over doing what is right.

LABELS CHANGE COLORS

By the end of 1985, it became apparent that if NOW was to satisfy its customers, new labels had to be developed. Until this time, people who bought into NOW's concept of low prices were the same shoppers that would buy black and white private label brands at grocery stores. This market was very limited because many people perceive that a low quality label is a clear sign of a low quality product. And NOW's vitamin label was as low quality a label as possible. Elwood had come up with an excellent game plan for making healthy foods and vitamins affordable by selling direct to stores and packaging inexpensively, but marketing proved to be the weak point of his game plan. Every customer clamored for a label that would not be such an embarrassment, one that would at least be a label that would look decent on the shelves. Somehow, after years of resisting spending more money on frivolous things like labels, Elwood agreed to a more expensive label design.

The new look took several months to finalize as typesetting was done by an outside firm for the first time. In the past, Elwood considered it a cost advantage to do primitive typesetting in-house, without regard to how most customers viewed the company's labels. Starting with a clean artistic slate, a local graphic artist came up with a number of designs and we chose one that, at the time, looked as beautiful as could be. (Looking back, the situation seems similar to when a new baby is born and the only one who thinks the child is beautiful is the mother!) This beige label was a huge upgrade over the former black & white, or yellow-orange tandem that filled few health food store shelves. Most customers reacted positively, though the memory of one sticks out more than them all. Ina Walker, of Sunflower Seed in Chicago, said that the new label was almost as ugly as the old one and that was just fine with her. She had made it a practice to sell the NOW brand BECAUSE the labels were so ugly! She reasoned with customers that since the label was made to look so incredibly ugly, the product inside and the value to customers had to be exceptional. Sounds a bit like the marketing campaign for Smuckers® years later, when we heard – "With a name like Smuckers®, it has to be good." Anyway, as NOW's top customer, her response was quite a blow to my pride. But it was a lesson to listen to customers, and next time to ask them what they think before committing to something they don't want.

One final note about this period is one that affects almost all private family businesses. By the end of 1986, it was apparent that NOW would survive and growth seemed certain for years to come. At that time Elwood Richard began estate planning and was told that if he intended to pass the business to the next generation, he would need to "gift" some of his stock to family members to avoid income taxes in the event of his death. In 1986, the business had reasonably little value, so Elwood gave away about 20% of his stock to his children: David, Sharon and Dan within one year. He has continued his giving over the years and this has had a very positive effect besides saving estate taxes. Elwood

always wanted more family members to work in the business and with a financial interest as a prod, family members did become interested and involved. David, Sharon and Dan continue today to be involved and thankful for this giving. In different ways, each child has made efforts to honor our father's business requests and not try to overstep our bounds, for as the good book says, "*Honor thy father and thy mother.*"

***“My son, eat honey, for it is good,
and the drippings of the honeycomb are sweet to your taste.
Know that wisdom is such to your soul;
if you find it, there will be a future,
and your hope will not be cut off.”
Proverbs 24:13-14***

1989-1992

People familiar with this time period will remember it for the significant changes that took place. The Berlin Wall fell physically and emotionally, allowing for Germany to be reunited. Half a million Chinese students demonstrated in Tiananmen Square, only to suffer a brutal crackdown in the end. An Exxon oil tanker spilled over 11 million gallons of crude oil in Alaska, ruining the region for years to come. And the Gulf War with Iraq significantly changed most country's foreign policies and led to U.S. involvement on the ground in the Middle-East.

At NOW Foods, this time was a tremendous growth period as NOW quadrupled in sales and expanded to fill the new warehouse on Bloomingdale road in Glendale Heights. At the end of 1988, NOW had relocated to this brand new, 12,000 sq. ft. facility which would serve NOW well, allowing for two separate additions within the span of only five years. It was during these years that customers and competitors viewed NOW as a “sleeper”, meaning that the company was quietly climbing the ladder as a supplier of natural products. It was also during this time that I formalized my sales goal of having NOW sell \$10 million per year, a lofty goal indeed in 1989. If we could just hit that magic number, my business career would be complete and I would see NOW as a complete success. Looking back and having passed that magic number, I can only say that NOW's overall success has been absolutely beyond my wildest dreams. In the same way, NOW's growth has likely come at the expense of competitor's worst nightmares.

It was during this period that NOW first encountered hostile competitors who were determined to spread ill will about NOW. It had happened in the past with a local lecithin supplier named Harmony, who also supplied NOW with Triple Strength Lecithin capsules. As an overly honest seller, I had told customers that our source of these capsules was Harmony, even though our prices were about 25% below the same supplier. When customers called Harmony to see if this was true, the owner lied and said this was not true and that NOW must be mistaken. I later talked to the customer and offered to send copies of invoices to prove my point, but the issue had become negative by that point. I eventually talked to our supplier about his lie and he replied that he had no other recourse since customers would change to NOW products and his line would cease to be needed in stores. Fortunately good does triumph over evil and Harmony Lecithin is a brand of the past, unable to compete with honest, low cost brands like NOW. Unfortunately, relations with competing brands have been a thorn in NOW's side for years simply because our prices cause problems for more expensive brands. Well-paid salespeople have to say something about why their products cost much more than NOW's, so libel became an unfortunate regular event among many of NOW's competitors.

In 1991, a more serious case of slander arose regarding whether NOW's vitamin E was truly 100% natural. Another low priced, small, West Coast supplier circulated a damaging assay seeming to show NOW's vitamin E was synthetic. The competitor noticed NOW's vitamin E softgels had changed color and assumed this meant that we were cheating and using synthetic vitamin E instead of natural, which costs twice as much. The competitor sent the capsules to Irvine Analytical Labs in California requesting a test for optical rotation, which determines the naturalness level. Somehow the results came back showing only 15.8, when the results should have been 24. Upon receiving this ammunition, the competitor proceeded to distribute the report to health food stores and NOW found itself at war with a terrier of an enemy.

We were 100% confident that the report was in error because NOW only purchased natural vitamin E from the three largest pharmaceutical softgel producers. Elwood Richard figured out that the testing lab had tested the entire contents of the vitamin E gel, instead of just the vitamin E content within the softgel. Since most softgels contain some filler, the filler oil should not be included in the assay for vitamin E. We also argued that vitamin E is a difficult test and we had seen two errors in laboratory testing of vitamin E in recent years. Additionally, NOW vitamin E was registered with the Natural Source Vitamin E Association and the National Nutritional Foods Association, which independently tested our products and never found a problem with NOW vitamin E. Despite our best efforts to correct the error, the damage was done. Many retailers heard the slander side of the story and never gave our side a chance or never even heard it. The ancient proverb is true, "He who states his case first seems right, until the other comes and examines him." (Proverbs 18:17) The sad part about this story is the competing company never did admit their error or the lab's error and so customers were left to wonder about who was correct.

Three years later history repeated itself with the same competitor, the same lab, and the same vitamin E test. This time the lab tested the vitamin E at only 2.27 which is far below the expected 24 for natural vitamin E. Our competitor spread the assay all over the country, and somehow a larger competitor got hold of it and made matters much worse. The larger company, from Utah, made copies and passed the assay to dozens of salespeople who showed hundreds of stores before we were able to identify the same problem in testing. In response, NOW sent the same lot tested to three different labs including Eastman Kodak, the raw producer, the vitamin E association, and back again to Irvine Labs. We requested Irvine to only test optical rotation for 400 IU worth of vitamin E and the results came back at 24.72, exactly at label claim. During this period, serious legal letters were exchanged and NOW considered suing both companies for damages and legal fees. However, as a Christian-principled company, we will do everything possible to avoid lawsuits, even when our case is overwhelmingly clear. And in this case we traded numerous letters, made similar threats and eventually, after spending enough on legal fees, dropped the whole matter. The larger competitor did, finally, issue an internal retraction, but no formal apology or explanation was ever given to our satisfaction. Among competitors, however, NOW chose to be more aggressive in competing with those brands and to introduce new products that would be better than either company's best products.

One side note to these stories is that some humor wound its way into several of these legal exchanges that are worth quoting. On November 3, 1994 a letter to our attorney stated this: “Your October 11 and 28 letters of putative refutation to Mr. _____ are repetitious cant of previous self-serving, fallacious, solipsistic, specious, discursive, and at times even tawdry rant – your hallmarks. All the asinine rationalizations aside, your obdurate failure to.....do indeed bespeak quite adequately of your client’s lack of verisimilitude and your own pompously meritless postulations and utter lack of intellectual and ethical credibility.” Looking back at letters like this at least make the serious side of business a little lighter. The sad part of NOW’s ongoing war of words with competitors is that, just like negative political campaigning, the damage can be severe and nobody seems to win. It’s unfortunate, but dealing with competitors ongoing negativity has become part of our business.

STEVIA REBAUDIANA

In 1983, NOW introduced the green herb *Stevia rebaudiana* powder as a new sweetener for health food shoppers. The whole herb has a very sweet, licorice-like taste that can be used to sweeten teas, coffee, other drinks and even baked goods. Though the herb appeared to have been used by ancient South American Indians, stevia was “discovered” in 1887 by scientist Antonio Bertoni. In 1931, two French chemists named Bridel and Lavielle began to explore the secret to stevia’s natural sweetness. They extracted a white compound which they named “stevioside” which was up to 300 times sweeter than sugar. Since that time, countries such as Brazil, Paraguay, Japan and China have cultivated the stevia plant and incorporated stevia into their daily food supply. Japan is the largest stevia consuming nation, using it to sweeten pickles, dried foods, fish, soy sauces, drinks and low calorie foods. In 1954, Japan banned certain artificial sweeteners due to health concerns and started cultivating stevia in hothouses. The finished extracts have been widely used in Japan to reduce sugar consumption, obesity and diabetes.

In 1990, NOW introduced stevia extract, a white powder that is suitable for baking and can be used to substitute for sugar without the licorice taste or green color. It was an instant hit as dieters, diabetics and anyone wanting to reduce sugar intake tried stevia extract and liked it. We supplied a unique niche of stevia powder, stevia extract, stevia cut and sifted (for tea) and two cookbooks using only stevia as a sweetener. Apparently our success caused a reaction from the sugar industry and/or the sugar substitute industry. Either way, the FDA became interested and came to visit NOW checking on our product labeling and literature. Shortly thereafter, in May 1991, the U.S. FDA issued an import alert banning stevia rebaudiana leaves and extracts from being imported into the U.S. Since all stevia was imported, this effectively stopped all sales of stevia, though no reason was ever given for the alert. The FDA called stevia “an unapproved food additive,” which was their way of saying the product could not be consumed safely in the U.S. no matter how much the rest of the world used it. Ironically, in 1952, the U.S. Public Health Service had researched stevia and found it to be the world’s sweetest natural product. The government’s own researchers reported that “Stevioside does not appear to have an immediate future as a sweetener because it is difficult to see how Stevioside could compete economically with such a cheap, safe, and well-established synthetic sweetener as saccharin.” And to think these are some of the same people within FDA who, comically, made policy against and even raided a company named

Stevita for supplying a healthy alternative to saccharin and aspartame! Indeed, the natural foods movement has always been counterculture to the mainstream medical, food, pharmaceutical and farming industries. In lesser ways, that continues today.

Good news came in September, 1995 when the FDA issued a revision to the original import alert and allowed stevia to be sold, as long as it was labeled “a dietary supplement.” This loophole came about after the Dietary Supplement Health and Education Act (DSHEA) passed in late 1994, creating a new category called “supplements” for the FDA to look after. Prior to this, vitamins and herbs were treated by the FDA as either foods or drugs, with no room in between. The FDA now allowed stevia to be sold, though it retained the same legal status of “unapproved food additive” and not GRAS (Generally Recognized As Safe). This compromise allowed companies like NOW to keep stevia on the market, while satisfying large sugar substitute lobbies that stevia would not go into mainstream foods.

The rules changed in mid-2008 when soft drink giants Coke and Pepsi both announced the launch of new stevia products in the U.S. Coke introduced new Truvia (Stevia) packets and Pepsi introduced PureVia as the mass market titans raced to use stevia as the next “holy grail” of sugar substitutes. These companies were large enough to spend huge sums on R&D and legal fees to get their specific stevia products approved as GRAS. In response, NOW quietly launched the industry’s first certified organic stevia in packet and liquid forms, now called BetterStevia®. NOW first introduced natural stevia packets in 1998, and we uniquely still operate two high-speed packet machines to keep up with demand for this best-seller.

MOVE TO GLENDALE HEIGHTS

By the end of 1988, we had determined to expand the NOW plant and move from Villa Park to Glendale Heights, about 15 minutes west. Our floor space increased from 7,000 sq. ft. to over 12,000 sq. ft. and the warehouse stocked inventory up to three pallets high. We moved into a new industrial complex where we would later double our space by taking over empty space next door. NOW’s years on Bloomingdale road were good for the company as we were able to dramatically grow into a bona fide industry contender. Sales growth for these years were:



YEAR	% INCREASE	\$SALES
1989	33% Increase	\$3.2 million
1990	25% Increase	\$4.0 million
1991	50% Increase	\$6.0 million
1992	67% Increase	\$10 million
1993	40% Increase	\$14 million

By the end of 1992, NOW had hit the magical sales number of \$10 million and our product selection was expanding to meet the requests of supportive customers everywhere. In 1989, NOW introduced its first herbal capsules and needed to find a quality raw material supplier that could be trusted, since we did not have the herbal expertise on staff at the time. I was our supplement buyer at the time and, after contacting our usual suppliers, I called Nature's Way in Utah to see if they would sell to us. Their brand was one of the very first to put herbs in capsules and they had become known in the industry as the highest quality herbal supplier. I was very surprised to learn that Nature's Way did sell in bulk and that they had a separate sister company that handled all of their bulk and private label business. I was even more surprised to learn that their prices were more than fair and NOW could do quite well as a middleman selling a NOW brand of Nature's Way-produced products! We introduced echinacea purpurea root, pau d' arco, and goldenseal root initially, all manufactured by our friends at Nature's Way and sold at retail prices that were about 40% below that of the same supplier. Because normal vitamin and herb producers operate at margins well above those in the food business, NOW has always been able to easily discount high quality products at below-market prices.

Until recent years, NOW's game plan had always been to market to independent health food store owners, and then let that gatekeeper sell their customer our product. We had never really tried consumer advertising because that was too expensive and, besides, that's what the "nationally advertised" brands were known for. This strategy has served NOW very well over the years, though some stores just wouldn't consider NOW because our prices were too low. This meant that if they sold a bottle of NOW for \$10 instead of a different brand for \$15, the store would lose sales and profit and head in the wrong direction. Our answer had always been that this example would be true in the short term, but in the long term even loyal health food shoppers want a good value and will find it eventually. If stores only stocked expensive brands, then customers would move to discount outlets, mail order catalogs, grocery stores and chain drug stores – wherever the price was right. To counter this thinking I came up with an idea that seemed like a win-win situation for everybody.

In 1990, NOW introduced a second brand called "Richard's Finest Vitamins," a premium brand that would be aimed at the high-end customer who couldn't believe quality could be so inexpensive. (In some ritzy areas, stores found they would actually sell more NOW products at above retail prices, some as high as double normal retail!) The Richard's name, of course, is proprietary and did seem to fit in with other family-owned names like Carlson, Thompson, and Schiff. Several upgrades made the introductory line different including:

- Glass packaging with fancy silver foil labels
- Expanded label information included historical information on vitamins
- Potency overages of 5% on each multiple formula
- New formulas called "Special One" and "Special Two" with green food concentrates
- Food-based multi's with herbs, enzymes, fibers and all-vegetarian
- Full disclosure labeling, hypoallergenic products

The real kicker that I counted on was that stores could buy nine bottles and get three free, so some stores could sell at higher prices and make higher markups, while other stores could get great deals on a brand that “looked” more expensive to customers. The whole idea eventually failed, though the line did exist for ten years and did find a small, loyal following. One buyer in Tucson, named Richard, did quite well as he took extra pride in a brand with his name on it. I had counted on a chain called Richard’s Whole Foods in Sarasota, FL to do big business with this name, but my hopes were never realized and the line became less important as years went by. I learned my lesson. Stores that bought into NOW’s discount plan didn’t want to stock another brand or sell at higher prices anyway. Stores that didn’t like NOW because our prices were too low, didn’t like the Richard’s brand either because it still came from NOW. Even in business, *“there are friends who pretend to be friends, but there is a friend who sticks closer than a brother.”* (Proverbs 18:24)

BEST CUSTOMERS AS FRIENDS

By 1990, NOW’s top retail customer was a little store in New Port Richey, FL called Queen’s Nutrients. Jack Queen, the proprietor, had recently retired to Florida after having a successful career in Pennsylvania. There Jack had built a little empire of four health food stores, a restaurant and even an import/wholesaler company for nuts, dried fruits and condiments. After moving to Florida, Jack’s entrepreneurial skills surfaced again and he decided to open Queen’s Nutrients to give him something constructive to do. The store opened in 1988 with less than 1,000 sq. ft. and was only open Wednesday through Saturday. With hours like that it’s surprising that any legit retail business could survive! Jack was a sly veteran who knew his market and who knew how to build a business. Within three years of opening, the store was doing nearly \$1 million in sales and the three days off had become full working days keeping the store stocked.

I recall one story that Jack told me that really helped to build his business. Initially his store sold the normal selection of products at mostly normal prices. In an average week, he would sell only about three small pints of Dannon yogurt for \$0.79 each, which netted him less than \$1 profit for the week in that product. Jack decided to buy a big volume of Dannon at a discount and sell at one cent over cost to build and attract regular customers. Soon, the store was selling over 150 per week, drawing many new customers, and netting the store \$1.50 per week. This experiment led to discounting everything in the store by 20% off retail and rather dramatic sales growth ensued. The business was a bona fide success story, and Jack proved to be ahead of his time in many respects. Unfortunately, Jack’s wife was diagnosed with multiple sclerosis and he sold his business in 1993 to help care for her. Years later both were still doing well in retirement and Wright’s Nutrients has picked up where Jack left off.

Another unique customer was Michael Schwartz, who first opened Life Natural Foods in Miami in 1982. He moved to Syracuse, NY in 1985 and opened a 400 sq. ft. store called Discount Health Foods. The business was successful and grew to 800 sq. ft. in 1987 and 3,000 ft. in 1989. In 1993, another huge expansion put Discount Natural Foods in 18,000 sq. ft. of selling space, a real superstore with a deli, bakery and vast selection of thousands of different products. That lasted until 2000, when Michael had enough of big store problems and downsized to avoid employee hassles and focus on mail order

and internet sales. Michael is one of NOW's all-time shrewdest, street-smart retailers that I've ever met. He knows the business inside and out and is extremely efficient in multi-tasking throughout each day. A few notes from a visit in 1997 are worth quoting: *"A visit to Discount Natural Foods is unlike any other. The first impression one sees upon entering the store is a very large and messy pile of empty boxes scattered near the register. Each box received from vendors is recycled by being used as a grocery bag, thereby saving the bag cost and the cost of disposing of cardboard. There is a Foosball table near one of three checkout lines and a five foot tall plastic bear standing nearby that seemed to have no function at all! The store would be a merchandiser's and accountant's nightmare because the inventory is so out of hand that a physical inventory is never taken.* It's really hard to separate the store's personality from that of Michael. The basement is jam-packed with another 4,000 ft. of mostly foods that came from volume deals, overstocks, close-outs and convention leftovers. Somehow Michael manages to run the register himself while doing much of the ordering 'from the cuff' and answering customer's questions all at the same time. Overall, it's no surprise that this is NOW's top individual store and growing rapidly."*

Another special customer is Mastel's Health Foods in St. Paul, MN, which has operated in the same small location since the mid-70s. Mastel's opened in 1968 and moved six years later to the current location which John Mastel bought. The store has an organic garden growing in the backyard, an impressive feature not available to most health food stores. This store features a thorough level of customer service and really seems to go out of their way for customers. I visited the store in 1993 and noticed that the store had almost as much inventory downstairs as back stock, compared to what was on the shelf. John explained his counterculture inventory build up as a hedge against inflation. He adopted this plan when inflation was a problem and kept to it as a way of always having what customers wanted in stock.

Loyal, long-time customers are what real business is all about. Customers like Zephyr and Kemper Isley of Vitamin Cottage, Barry Tauch of Wings of Health, Michael Dworkin of Parkade Health, Bob McGrath of Discount Health Foods, John Roher of Richards Whole Foods, Don Forsbender of Lincoln Health Foods, Gary Dodson of Dodson Nutritional, Dave and Henry at Harvest Health, Joe Bassett of Bassett's Health Food, and so many more helped make business a pleasure when NOW needed customers the most.

DELIVERY CHALLENGES

Since the mid 1970s, NOW had made local deliveries to health food stores in company owned trucks. Having our own little trucking company, (mostly one van and one driver) was necessary to expand the Chicago area business, but delivering orders was never smooth. In the early days, Elwood would use his family station wagon to haul 100 lb bags of flour and up to 380 lb drums of soybean oil. Elwood himself was a regular backup driver for years whenever a driver would quit without notice or fail to show up. Building a business takes many sacrifices and our family "suffered" through many wagons that got beat up making deliveries. I got my chance to make deliveries one summer and enjoyed the freedom quite well, despite the Chicago area traffic. I still recall the day I lost my wallet in a bad part of town where I had stopped the van to fill

*Michael claims that retailing guru Danny Wells starts off his seminars with a picture of this store and he tells aspiring retailers what NOT to do.

up with gas. After discovering my problem, I was scared to death knowing I had filled my tank with \$20 worth of gas and I had no cash to pay. Fortunately, I left as collateral a two-wheel cart until I could borrow some money at the local health food store and drive back for an exchange.

From 1980 to 1988 it seemed like NOW went through a couple of dozen drivers as well as several horrible trucks. Many employees worked stints as drivers, notably Matt Doyle and Dave Lendy, both NOW employees in better positions thirty years later. One driver came back from his route drunk, and that was the end of him. Another decided, on the first day on the job, to go hang out at a Lake Michigan beach and skip most of the day's deliveries! But as bad as our delivery failures got, not much compared to the day Bill Palumbo drove our 24-foot truck full speed under an overpass bridge that was about two inches too low. The truck's top peeled back like a metal lid and Bill drove our ruined truck back to the plant. It snowed that day and we had to remove an entire truck's contents over the top, since the back door couldn't ever open again! In 1988, Bill Smith was hired as our driver and his experience helped make local deliveries normal business, and no longer an adventure or nightmare waiting to happen.

SHARK CARTILAGE

In 1992, Dr. William Lane, Ph.D. wrote a book called "Sharks Don't Get Cancer" in which he cited new evidence that ingesting dietary shark cartilage might reduce the incidence of cancer in humans. His brand at the time was Cartilade, and sales soon took off and a new health category was quickly established. In response to requests, NOW introduced our first Shark Cartilage product, which was extracted in Japan and retailed at \$36.95 for 100 capsules. (Years later the source and process are different and the retail price is down to \$14.99). The timing of our introduction proved to be divine, as unknown publicity was about to make Shark Cartilage the biggest product of the year.

Near the end of 1992, 60 Minutes on CBS ran a news story about claims made in the new shark cartilage book and included an interview with Dr. Lane. The author answered tough questions very well and the reporter seemed sold on the potential for the new supplement. The next day at work, the Shark Cartilage craze had begun and consumers everywhere were clamoring for the new cure that had just been legitimized on major network television. Because very few brands sold Shark Cartilage at the time, every bottle produced could be immediately sold. Our timing couldn't have been better because suppliers of raw shark cartilage powder ran out of supplies quickly and a brief shortage kept new competitors from the marketplace. Within a few months, NOW introduced a second, pure product from New Zealand in capsule and powder form that proved to be close to the original Cartilade product. It's interesting how some products get major media attention and others, even better ones, don't. Freedom of speech is a great part of our country, though sometimes the media has more influence than it should.

A NEW DIVISION - HEALTHCO INTERNATIONAL

In 1991, Elwood had the idea of starting a related company that would supply small competitors with our raw materials and help leverage our purchasing and increased production. NOW had sold to some companies, such as Solaray, niche ingredients that they were unable to find elsewhere. But when NOW became a larger competitor, branded companies didn't want to buy from us because we were a feared competitor with too-low pricing. Our aim in starting HealthCo was to sell to these same type of accounts, while hiding behind a separate identity. Initially, HealthCo was run by Shirley Kollenburger, a veteran health food manager who had owned her own store in Lisle, IL previously. She also happened to have been my first boss at The Fruitful Yield health food store in Elmhurst, IL in 1979. Shirley was a natural manager and saleswoman who initiated new business and serviced customers quite well. By the end of 1991, HealthCo's first year, sales hit \$149,000 and the new venture was off and running.

In 1993, David Richard left the Glendale Heights Fruitful Yield store and became co-manager of HealthCo, initially sourcing raw materials direct internationally. David helped obtain New Zealand Shark Cartilage direct, when the market was oversold and short on supply. He later found a connection in England that helped to import panax ginseng, siberian eleuthero herb, royal jelly, bee pollen and propolis direct from China. Then he found direct sources for French green clay and Moroccan red clay powders. David was also instrumental in lowering costs of products such as evening primrose oil by sourcing the imported seeds directly and then negotiating contract processing runs. These purchases were done under the HealthCo umbrella in an effort to truly make HealthCo international. These deals also provided salespeople with lower costs that beat the market prices on each of the items noted. Prior to one purchase, David had one lot of Propolis tested for heavy metals and found out that lead was quite a problem. He brought this up to the Bee Products Association, an industry trade group, and apparently no other company had been testing for this. Within a short time, most other brands of Propolis had to issue a formal recall due to lead contamination, but NOW's propolis was safe from all heavy metals.

In 1994, HealthCo Brokerage was launched as an attempt to broker sales direct from farmers and growers to retail health food stores. David hooked up with companies such as Aloe Farms, Zumbro, Aspen, Nutri-Pak, RyVital, Vitality Works, and Indian Wells, who would bypass traditional distributors and ship directly to retailers at discount prices. This did create some conflict within NOW, as we found ourselves competing internally for the same wholesale dollar, from the same customer base. The major problem with phone brokerage was that no major brands would switch services to HealthCo, since no representatives were actually selling inside stores. Our plan was to operate as telemarketers at a reduced fee for manufacturers, but that never seemed to take hold and the entire brokerage division was discontinued within a few years.

A NEW SYSTEM

By mid-1988, David had rejoined the family business after 10 years in corporate America, mostly as Systems Analyst. His initial project for NOW was to purchase and implement our first computer system. That system served us well for several years and enabled billing to be automated. However, a new Comptroller named John Wallis joined NOW in 1991 and proceeded to work toward a new system that would take NOW to the next level. In the first system, our code numbers had included one letter and four numbers, but this caused problems with similar sounding letters. The new system solved that problem and many others and served NOW very well until 2002 when our Oracle era began.

Prior to 1991, salespeople hand-wrote orders and gave them to order entry workers, who would input orders throughout the day. A big change occurred when I was told salespeople would have to type orders in directly, a new part of the job that I was not keen about. I was concerned that salespeople would stop trying to sell on the phone as they would be required to do the jobs of two people. My negative bias probably had more to do with my failure in college to survive writing Cobalt and Basic computer programs. "Once burned, twice shy" the saying goes. In a short time, however, NOW's sales group learned the system, led by Nick Rana, who was the first to figure out how to use our new toy.

Many significant new products were introduced during our years on Bloomingdale Road. Listed below were the top selling new products for these years:

- 1989 Chromium Picolinate Caps, Echinacea Caps, Goldenseal Root, Pau d'Arco, Barley Grass, Deodorant Stones and Evening Primrose Oil
- 1990 Essential Oils, Richard's Line, Prescription for Nutritional Healing book, Silymarin and Pycnogenol
- 1991 Ester-C, 4x6 Acidophilus, Tea Tree Oil, CoQ10 60 mg, and 23 more Essential Oils
- 1992 Liquid Herbal Extract Line and Shark Cartilage

By the end of 1992, NOW's best sellers had changed significantly, again.

- # 1 Prescription for Nutritional Healing Book
- # 2 CoQ10 30 mg
- # 3 Goldenseal Root Capsules
- # 4 Evening Primrose Oil Softgels

Due to our tremendous growth over the past five years, it became clear that it was time to move again. The warehouse was far too full, production had squeezed out every ounce possible and our offices were in dire need of space. As we prepared to move again, we could only count our blessings for having such problems. Elwood's original strategy was paying off and we were making many right moves, but, as the good book says, "*God gives the growth.*"

***“And on the banks, on both sides of the river,
there will grow all kinds of trees for food.
Their leaves will not wither nor their fruit fail,
but they will bear fresh fruit every month,
because the water for them flows from the sanctuary.
Their fruit will be for food, and their leaves for healing.”
Ezekiel 47:12***

1993-1996

Four years can be a long or short time depending on one's perspective. In 1993, the first terrorist attack on U.S. soil took place when New York's World Trade Center was bombed in the underground parking lot. In Washington, Israel's Yitzhak Rabin and the PLO's Yassir Arafat shook hands outside the White House, sealing a breakthrough peace agreement that was supposed to end the Middle-East conflict. And 85 cult members died in Waco, TX after a 51 day siege by our government.

At NOW Foods, business couldn't have been better during our 25th anniversary year celebration. Lou Richard joined NOW full time to help prepare for our biggest move yet, as NOW had totally reached its space limit at 2000 Bloomingdale Road. Many new products helped drive business along and loyal customers made daily suggestions that led to continuous product and process improvements. In 1994, NOW made the big move to 550 Mitchell Road, where, amazingly, our unfettered growth continued. Elwood, Lou, David and I all found ourselves in a profitable family business that was growing substantially, helping people's health, and lowering costs to consumers. Life was good.

UNCLE LOU RETURNS

In 1985, Elwood, Lou and Bill Richard sold Fearn Soya Foods to Modern Products in Milwaukee. Fearn had dropped in sales in recent years and had two disasters doom the company at once. In 1984, one third of Fearn's major distributors went bankrupt, leaving the company with serious debt that couldn't be collected. This was unexpected and caused a great strain on Fearn's finances. At about the same time, Fearn's only recall ever occurred and, basically, brought the company down. Fearn had been buying brown rice flour and quick-cooking brown rice from Nieman Brothers (manufactured by Riviana Foods), not knowing that ethylene dibromide (EDB), a grain fumigant, had been added during the process. The company received a letter from the New Jersey Department of Health requesting a recall after this showed up in lab testing. Fearn did conduct a very expensive recall that it expected would be covered by Riviana Foods, but that company claimed it was not responsible for the recall because it was not required by the FDA, only requested. Fearn sued and won a small settlement, but the tide had already turned and Fearn was forced to sell at an inopportune time.

Sadly, our beloved Fearn company, which had been in our family ownership for 36 years, was forced to sell and moved abruptly to Milwaukee. Lou continued working for a year or so under Modern Products ownership, but disagreements arose and the time came for Lou to move on to greener pastures. From 1987 to 1993, Lou worked as an engineering consultant for a variety of large food companies (Nabisco, General Mills, American

Maiza) doing contract food processing jobs. This helped him immensely when it came time to help NOW automate jobs that had been done by hand for years. So it was that Uncle Lou, as my generation affectionately calls him, joined NOW as a project engineer in charge of planning our big move to Mitchell Road. A zillion details go into planning and executing construction for such a large building. Lou designed and worked with the builder to make sure the new plant would be ideal for food processing and packaging. I still recall Uncle Lou making a very big deal out of the type of doors to be used in the new building. He traveled to the door manufacturer in Wisconsin just to make sure that the new doors would last into the next millennium! “There are doors, and then there are doors,” he said.

As with any family business, relationships can be helped or hindered by having so much personal contact. I was a little nervous when Uncle Lou started at NOW, somehow fearing that his efforts might impose on my own accomplishments. But soon Lou was solving problems and finding new equipment to help automate bottling production and, later, encapsulation of powders. He quickly found a home at NOW and hundreds of employees came to see Lou as a vital part of NOW’s growth and success.

MITCHELL ROAD

By the end of 1992, we reached an agreement with the landlord who owned the entire block of future buildings on Mitchell Road in Glendale Heights, IL. However, David Richard became concerned about the location because the back of the building was located within 50 feet of overhead electric power lines. A number of discussions ensued about the potential danger of electromagnetic fields and whether any damage could occur to employees through the building. We got expert opinions and even had a measuring test taken at the site to see how much of an issue was really at hand. In the end, our Board of Directors voted to build across the street instead, even though this meant a contract penalty of almost \$40,000. We decided that NOW Foods is in the health business as a first priority, and that the health of our employees is something that should not be compromised.

In 1994, one of the salespeople suggested a new way to pay commissions for “add on” business. For years, as with any good sales company, salespeople would take orders and service customers on the phone and then try to add on additional sales. I recall that when we introduced Natural “Caroguard” Beta Carotene in 1987, I was able to add on to every one of the first 16 orders, just because we were the first to market. Over the years we held informal contests to see who could “add on” the most dollars, but all without added compensation. This was partly because we didn’t want to become pushy to the point of being traditional “salespeople”. Also, nobody had figured a way to handle commissions by hand without a great deal of effort. Once a simple structure was set up, everyone found it easy to sell. Customers got a great discount, salespeople made extra money and NOW was able to sell new or overstocked products almost automatically. It’s a good lesson to listen to workers who are “on the line” as they usually have the best ideas for improving their areas of expertise.

MELATONIN CRAZE

By the start of 1994, a new supplement called Melatonin was widely sold as a replacement for banned L-Tryptophan. Melatonin is naturally produced in the pineal gland of mammals and has been researched extensively since 1959. For most people, Melatonin helps solve insomnia, and it also acts as an antioxidant without side effects or chemical dependence. Initially, NOW decided against selling Melatonin because of concerns that the product is a synthesized hormone. From March through December, Jim Roza, NOW's Quality Manager, searched for answers about the toxicity and safety of melatonin. Meanwhile, our competitors were selling this "latest cure" in increasing quantities and customers were pressuring NOW to introduce this latest product. Finally, in December, 1994, we introduced a 3 mg capsule after receiving authoritative assurances from the research godfather of melatonin, Dr. Russell Reiter. This leading authority on melatonin research called NOW on his own to inform us about the numerous studies he had performed regarding the safety and efficacy of melatonin. The new capsule quickly became a best seller and helped fill the void lost when Tryptophan was banned from the market.

Once again, it seems, our timing was providential. In 1995, Newsweek Magazine ran two articles on melatonin, including one full cover story highlighting the main benefits: insomnia, anti-aging and jet lag. The first article was published in August and immediately suppliers ran out of inventory and the price tripled. We were aware of four European manufacturers who made the product and tried everything possible to get more than our share of the scarce powder. While we battled suppliers for more inventory, customers clamored for instant relief from everything possible under the sun. The more we tried to squeeze product out of Europe, the more customers ordered, and the higher the price rose. It's really amazing how much business can be affected by a positive nutrition article. In this case, we were selling tens of thousands of bottles of melatonin per month and actually had to allocate sales so that we didn't sell out. In December, Newsweek ran a follow up article that also stirred up business substantially. Again, the same flurry of sales and the same flurry of buying scarce product followed.

One result of every health fad is that other potential manufacturers make plans to join the supply chain and capitalize on the new growth market. Inevitably, too many suppliers start producing the same product about the same time and the shortage very soon turns into a supply glut. In the case of melatonin, Chinese pharmaceutical factories figured out how to make the product and today the powder costs about 90% less than it did when it was "priceless." The irony is that the European producers who gouged the market in a bidding war can't compete today with lower cost competitors and have lost the market that they once owned. The saying is true, "*He who loves money will not be satisfied with money; nor he who loves wealth, with gain: this also is vanity.*" (Ecclesiastes 5:10)

NATURAL INFERTILITY

When I married my wife, Beth, we were told that we would be unable to conceive children. In fact, Beth had been told that at an early age by her doctor. Typical with most young couples, we determined to try to have children after a few years and visited a couple of doctors to see what they could suggest. In the end, we went the medical route (along with prayer) and today have three wonderful, healthy children.

However, as part of the process, I was required to submit sperm samples to give the greatest possible chance of conception. About that time, I was reading quite a bit of literature about infertility and I came across some insightful information about Royal Jelly and Panax Ginseng. It just so happened that, in 1994, NOW introduced a new capsule with these two ingredients, as well as a separate liquid Royal Jelly in honey. As with any male in the position of being tested, I wanted my numbers to be the highest possible for success in conceiving, as well as impressing the doctor! I began heavy dosing with both products and was tickled each time when the doctor reported near record sperm counts and motility levels. It was a prideful and happy moment that helped me survive the unexpected invasion of my privacy.

During this period a number of big sellers were introduced. They include:

- 1993 Saw Palmetto Complex, ChromeMate[®], Antioxidant Caps, NAC, Body Balm and Deodorant Stones in a stick
- 1994 Grape Seed Extract 60 mg, Sucanat[®], Glucosamine Sulfate, Saw Palmetto 160 mg gels, Ginseng & Royal Jelly, Bone Calcium, 8 Billion Acidophilus & Bifidus, Melatonin caps and Esiak Tea Concentrate
- 1995 Boswellin[®], Esiak Caps, (later Ojibwa) Cat's Claw, Creatine Powder, Pygeum & Saw Palmetto, Glucosamine 1000, Joint Support[™], Citrimax[®], Stevia Extract, CoQ10 100 mg and Sublingual (chewable) Melatonin
- 1996 Stevia Liquid Extract, EcoGreen Multi tabs, Echinacea Drops, KidVits[™], Ginkgo Biloba 120 mg, Alpha Lipoic Acid and Acetyl-L-Carnitine caps

During this period, NOW tried to sell as many trademarked name brands as possible as a way of assuring high quality. We had learned a lot from MaxEPA and tried to find other "MaxEpa's" that would fill a niche of quality name products at low prices. In the summer of 1994, a new product called Citrimax[®] was launched at a major convention with more hype than I had ever seen before. NOW wanted to offer the trademarked product and approached the vendor, with whom NOW was already a customer. Because NOW's pricing is so low, it tends to make competitors and, sometimes, suppliers nervous. In this case, other vitamin brands had already told the supplier that they would not introduce the new Citrimax[®] product if NOW was allowed to sell the same thing at 40% lower cost. This is a part of business that is really distasteful. I suppose it compares to when a Wal-Mart store wants to open in a small town and every business feels threatened, even though Wal-Mart would bring efficiency and savings to the same people as consumers. In this case, with no good short term options, NOW went to a competing supplier of the same raw material under the trade name Citrin[®]. That product was launched quickly, and apparently drew notice from the makers of Citrimax[®]. Within a short time, we reached an agreement to sell the Citrimax[®] product also, though the original snub lingered for years.

Another brand that turned NOW down was Tonalin brand CLA. In 1997, we had contacted the office that sold Tonalin and requested to become one of their branded distributors. This is quite normal business, and it's basically unheard of for growing companies to turn down new customers. At the time, Tonalin was only sold by a few

brands and their goal was to sell to brands that would advertise the name Tonalin. Since NOW is a small advertiser, due to cost constraints, the supplier viewed NOW as more of a problem than a solution. If NOW introduced Tonalin at 40% off the price of other Tonalin brands, it would discourage advertising by those other brands and dilute the growth of the product. That was their thought anyway. What the producer of Tonalin didn't consider is that there are other options and NOW soon introduced a non-patented form of CLA (Conjugated Linoleic Acid), with the same basic composition as Tonalin at 40% off. Within a couple of years, CLA became a very big seller for NOW and the new owners of Tonalin were soon calling on us to switch to their original product. "Once burned, twice shy" goes the saying, and that has remained true as far as CLA to this day. Once the supplier burned their bridges with NOW, it was hard to start a new business relationship after being rejected.

Sales at NOW continued brisk growth through these years, amazing our bankers, auditors and accountants. Listed below is the sales growth at NOW during these years:

YEAR	% GROWTH	\$\$SALES
1993	41%	\$14 million
1994	43%	\$20 million
1995	60%	\$32 million
1996	28%	\$41 million

MULTI LEVEL SALES SPURTS

Pycnogenol® is a standardized pine bark extract that acts as an antioxidant many times more potent than vitamin C or E. In 1995, the French company that made Pycnogenol®, Horphag Research, ran into supply problems. A multi-level seller in the U.S. had done such a good job of promoting Pycnogenol® that production was caught off guard and expanded manufacturing was unavailable until 1996. This caused a shortage of Pycnogenol® and led some companies to look for alternative sources of the precious pine bark extract. Soon a generic pine bark extract became available in addition to grape seed extract, which is nearly identical in polyphenols and proanthocyanidins, the active measurable components. A problem surfaced when several major vitamin brands began using the trade name Pycnogenol on labels, but with generic pine bark or grape seed extract within the product. We had asked the only authorized distributor about the other brands and were told that legal proceedings were being initiated against some of the largest brands on the market who were cheating. It is ironic that consumers generally put the most confidence in the largest brands, perhaps because their marketing is so persuasive, and their image of quality so sure. My experience is that the largest vitamin companies are often the ones who cheat the most, not because of quality control standards, but simply because they choose to do what it takes to make the highest profits.

By mid-1996, another great wave drove a product called liquid colloidal minerals. At the time, a tape had been circulating called “Dead Doctors Don’t Lie,” which made extensive claims about the benefits of taking colloidal minerals. A multi-level company, again, did such a stupendous job promoting the product that many customers went to health food stores to find a lower priced, comparable product. Soon, NOW’s store customers were demanding a NOW product and we responded with a product called “77 Colloidal Minerals.” Sales started so strong that we sent out for a full, independent assay to make sure everything claimed by our vendor proved true. At the same time, a paper by Alexander Schauss, Ph.D. was circulated claiming colloidal minerals were unproven and contained unsafe levels of aluminum. While supply problems and quality issues were being addressed, customers kept ordering more colloidal minerals than we could stock. Eventually a trip was needed to help clear the air.

On December 4, 1996, I visited the original Clark mine in Emery County, Utah to try to get more supplies from our vendor. It was also an opportunity to get a firsthand understanding of colloidal minerals and the factual history from “the source.” The Clark family had sold “Miracle Water” as early as 1926, naturally derived from humic shale deposits. The product sold slowly in early years, but received so many unsolicited testimonials that the business helped Thomas Clark survive the depression years. Apparently, all humic shale colloidal mineral products come from the same area in Utah and, after processing, the by-product is used by local farmers as a natural fertilizer. The visit to the mine was quite an experience and showed what vast mineral resources are available in places like Utah. Unfortunately, our alliance with the Clark family ended when we were able to source low-aluminum colloidal minerals elsewhere six months later. It was a good business move, but a sad day for me to walk away from my new friend, Bret Clark.

Another wonder product peaked about that time called Klamath Blue-Green Algae, a whole food concentrate similar to spirulina. Another multi-level company, Cell Tech, did an outstanding job (again!) promoting the health benefits of a specific microalgae that grows in Klamath Lake, Oregon. Due to some negative publicity about a potential toxin in the lake, NOW sent Nick Rana to visit and get a first hand look at how our product was being processed. Nick took a boat out on the lake, collected pictures and talked to the suppliers about processing techniques and cleanliness. We were able to tell a true story firsthand about NOW selling a safe, quality product that was independently tested free of toxins. Klamath Blue-Green Algae had its dedicated followers who took the algae religiously, though like many good products it has had its heyday and now is on the mature side of a product’s life cycle. I wonder why good products have to have down cycles. It seems that if a product works, it should never decline, but always grow at least by word of month. If only life were so simple! A poor crop and concerns about pollution caused NOW to drop this product in 2012.

ODDS AND ENDS

In 1996, NOW became involved with the Autism Research Institute in San Diego. We were donating money and decided to start officially giving 1% of 12 different B vitamin and mineral sales. The institute had been doing research using particular vitamins in search of a cure, or at least some help for those with autism. At least 18 studies have been published since 1965 showing that high doses of vitamin B-6 (preferably with magnesium) provide many benefits to about half of all autistic children and adults. Additionally, extensive testing has been done using DMG (mistakenly called vitamin B-15), niacin, and pantothenic acid to combat autism, each with varying degrees of success. Being involved with a serious ailment like autism reminds people in the health food business exactly why we do what we do. Natural foods and vitamins are part of the solution for people's health problems. Usually not a miracle cure, but clearly on the right side of health.

In 1995, NOW hired a large kick boxer to do telemarketing and he was extremely confident that he could do the job. Kick boxing is a pretty rough sport, so confidence is a basic requirement to be successful. At first, the boxer-turned-salesman looked like he would be a good fit and be able to aggressively go after new business. But after a couple of months, it was clear that this was not the job for him and he was not the friendly type of employee we wanted. Just before he left, it became clear that because his fingers were about double the normal thickness in size, he was basically unable to type, and therefore made far too many errors. Ken Spear, our head of Human Resources department, had the very unpleasant task of letting our new employee go. We were all quite relieved to see that the final conversation went smoothly, as this guy was sizable enough to do some serious damage.

In 1995, David Richard began writing a book on Stevia that would help promote sales of NOW stevia products. We had been selling another Stevia book before the import alert, but that book seemed to disappear when we wanted to reorder. David tried to find someone else to write the book, but no one else was interested, so he did it himself. The success of that book led to a new division within the company called Vital Health Publishing. A couple of years later, David bought that company and has since published quite a few books that are available in health food stores and elsewhere. About that time, the FDA raided a stevia products company in Texas called Stevita and threatened to destroy David's book, which was considered "adulterated food labeling." As ridiculous as that was, it was a real threat and David teamed up with Dr. Julian Whitaker to fight back. They threatened the FDA with a first amendment lawsuit and, eventually, the FDA dropped the matter about David's book. Later, they both filed a formal petition to the FDA for rulemaking, which became a matter of public record and kept the FDA from overstepping its bounds regarding stevia and books in the future.



Finally, this period ends with the death of Fran Kalve, January 31, 1996. Fran had worked at NOW since 1983 and had become a Grandmother of sorts to employees and customers alike. Fran was rarely sick, though very heavy in weight, and had developed into our top inside sales add-on performer. Thirteen years earlier, Fran was the entire sales department, receptionist, secretary and customer service department. She continued to service the Chicago delivery area and call on many customers that grew to love her. She had a rough way about her, yet was baptized in her mid-50s and really enjoyed telling people about her faith. Those that knew her couldn't help but be touched by her. She had a certain way about her. Her friends and family miss her, but haven't forgotten. As the good book says, *"We believe that Jesus died and rose again and so we believe that God will bring with Jesus those who have fallen asleep in him."* (1 Thes 4:13-14)

***“A cheerful heart is a good medicine,
but a downcast spirit dries up the bones.”
Proverbs 17:22***

1997-2002

The end of a millennium is a landmark division of time. Historians reflect back on the past 1000 years, futurists look ahead to the next 1000 years, while a billion people are simply trying to avoid hunger each day. In 1997, Japan hosted a Global Warming Conference that included 150 nations who agreed to reduced greenhouse emission levels. The movie Titanic became the biggest box office hit of all time. And U.S. President Bill Clinton, the most powerful man on earth, faced impeachment over a very public and messy affair with Monica Lewinsky.

At NOW Foods, we prepared to move one more time as sales, again, exceeded expectations and a contingency plan with the landlord fell through. This would be the fourth move in 15 years, by far the biggest challenge due to the increased size, expanded manufacturing equipment and complex software needed to run the new warehouse. By early 1997, Lou Richard and Jim Emme, our Plant Manager and future president, began making plans to build from scratch the first building the company would ever own. The challenge was huge, but prior moving experience and dedicated efforts prevailed and helped the company move in July, 1998.



1998 New NOW facility

Initially a search committee looked in the local area for vacant land that was zoned for industrial use. One site was ruled out because we thought the street noise would be a problem. Another was discounted because it was within one mile of a recycling transfer plant and may have been a source for small rodents. We finally found, and agreed on ten acres of land just three blocks away from the current building for the ridiculously high price of \$2 million. The new building would be 203,000 sq. ft. and include enough space to allow Elwood to make all of his dreams come true. Lou, particularly, was very involved and tenacious in making sure that the new plant would be rock solid and custom suited for food manufacturing and distribution. The production area, alone, would total

nearly 80,000 sq. ft. and plans allowed for expansion in future years if capacity became an issue. A new Quality Control Laboratory was greatly expanded with all of the latest testing equipment, and a small army of chemists and technicians were hired to run the never-ending assays. When reviewing our year-end costs, I'm always shocked to see that we spend so much more on Quality Control than we do on Marketing. Most vitamin brands spend at least 5-10% of sales to market their products. NOW has always spent under 2% of sales on marketing, and well over that for Quality Control. I'm pretty sure that no other natural brand of vitamins, foods, teas or cosmetics can legitimately make that claim.



NOW high-speed capsule manufacturing

1997 NOTABLE NEWS

NOW's amazing growth continued into 1997 as the company increased sales by 38%, totally maxing out the Mitchell Rd. location. Some of the new products driving sales were Elder-Zinc lozenges, Joint Support cream, Lycopene, MSM 1000 mg, 5-HTP, CoQ10 50 mg gels, Omega 3-6-9 and Alpha Lipoic Acid. Overall, stores and consumers kept buying more and more NOW products, leading the company to question whether it could sustain the same rate of growth in the future. From 1986 - 1997, NOW grew an average of 43% each year, which far surpassed the industry average and helped turn NOW into an industry force to be reckoned with.

In the fall of 1997, an unnatural disaster hit and made business as uncomfortable as possible. United Parcel Service (UPS) went on strike, leaving most of the country with no short-term options for shipping business packages. At the time, NOW was fortunate to have been using DHL for air service to stores and, in some ways, that did help save the day. DHL had been carrying about 25% of NOW packages and we tried to divert as many packages as possible to them. But that company quickly reached its peak and was unable to accept truckload amounts that we needed to ship. We also tried to ship

larger orders by common carrier trucks, but these soon became so backed up that the best solution seemed to be to wait and pray for resolution to the strike. After more than two weeks of virtually zero UPS deliveries, the national union agreed to terms with the company and all seemed to be back to normal. Unfortunately, we didn't realize that the Chicago district had its own union and contract and that did not get resolved for several additional days. Business disasters like this don't seem quite as bad several years later, but it's also hard to forget which shippers were part of the problem and which ones were part of the solution. As the proverb says, *"a man of many companions may come to ruin, but there is a friend who sticks closer than a brother."* (Proverbs 18:24) Shortly after this NOW switched shipping to FedEx, in part because it is a worker-friendly, non-union delivery company.

DR. JAMES BALCH

During this time, Dr. James Balch, a urologist, board surgeon and co-author of the book, *Prescription for Nutritional Healing*, approached NOW with the idea of becoming a spokesman for the company. Prior to this, Dr. Balch and his wife, Phyllis, owned a health food store in Indiana that bought products from NOW. Dr. Balch had become familiar with our line of products and corporate personality over several years and he felt that we had enough in common to forge an alliance. Until that time, NOW had never sought out a national personality like Dr. Balch to act as a spokesman, because we were always concerned about the cost. But because Dr. Balch liked our company we were able to make a deal and introduce a line of products called "Dr. Recommended" with Dr. James Balch's picture on each bottle. By 1997, Dr. Balch was as famous as one gets in the natural foods field, on his way to over five million books sold. He was well known at health food conventions, on weekly radio shows, speaking internationally and even in demand within the medical community. Dr. Balch helped put that seal of approval on NOW as a company. By being a Christian-principled company, we had caught Dr. Balch's attention and had an advantage over other suppliers who would have liked to have had Dr. Balch in their corner. Although Dr. Balch and NOW parted ways in 2005, the partnership was a great experience and we will always wish him the best.

And so we came to the fateful month of July, 1998 when our dreams, and nightmares, were about to unfold. One thing the company had learned from the 1993 move was that you can never over prepare. Our plant manager, Jim Emme, did an outstanding job of coordinating the physical move, so that most of the entire business was moved within three days. I recall being totally shocked, because our last move, with far less inventory and equipment, had lasted over a week and ended in a total mess. The 1998 move appeared to be a miraculous event, with everything in place and business ready to resume on Monday. But a major problem soon erupted that caused shipments to be delayed for up to three weeks and employees' patience to be tried far beyond reason. The problem was that we installed a new \$1 million order picking/packing/distribution system that was driven by the company's computer system using new software. The new "pick-to-light" system, which is computer driven, wouldn't work for nearly three weeks and the new warehouse was not set up to handle our old fashioned picking style. Those were dark days at NOW and I'm still thankful for loyal wholesale customers who somehow put up with the company when we were barely able to put up with ourselves! Perhaps the memory is too recent, but it seems stressful to even try to remember those days in

detail, even today. Thanks to very long and critical hours by our IT staff (Ed Cuttle and John Wallis), we made it to the end of the tunnel and the picking system has become a cost-saving necessity just as good as promised.

One of the primary goals in moving was to expand manufacturing production into areas that we had been outsourcing. Since 1968, NOW had been fairly successful in packaging grains, flours, teas, liquids, vitamins, herbs and anything else sold in health food stores. By 1997, the company had fairly high-speed equipment and a well-organized warehouse that was simply outgrown. The new building would include multiple high-speed encapsulators, three pharmaceutical-style bottling lines, new tableting equipment, a packet machine dedicated to stevia alone, high-speed food bagging, blending, liquid filling, tea bagging equipment, a huge freezer and refrigerator, the latest and greatest picking system and some extensive warehouse fixtures. With a low-cost manufacturing base, very low marketing and sales costs, nearly zero debt and a brand new building, we were ready to take on the world and improve our business several steps beyond our wildest dreams!



New "Pick-To-Light" order processing

VITY AWARDS

A trade magazine called *Vitamin Retailer* had been running a survey for several years which tried to determine the best-selling brands among products in health food stores. This was an issue that was very exciting to employees at NOW because the results legitimized our efforts and showed how far the company had grown. The survey was sent to independent natural food stores across the country and the results were tabulated and announced in the magazine. In 1999, the results were so favorable to NOW that many joked that because we were near Chicago, we were the best at stuffing the ballot box. (Of course, Chicago is famous for such political tricks in the past only!) Anyway, I think the results did skew in NOW's direction because the small, independent health food store is our primary customer, while other large firms sell more to national retail chains or mail order houses. Here are the results published in early 1999:

First Place Gold Award	Second Place Silver Award	Third Place Bronze
CoQ10	Alpha Lipoic Acid	Antioxidant Caps
<i>Ginkgo Biloba</i>	Bovine Cartilage	Bee Pollen
Grapeseed Extract	L-Carnitine	CLA
Heart Support	Chromium Picolinate	Echinacea
MSM	Evening Primrose Oil	Melatonin
Pycnogenol	Goldenseal Root	Panax Ginseng
Respir-All™ (Allergy)	Joint Support	Saw Palmetto ext.
Shark Cartilage	Omega 3 1000 mg	Silymarin extract
Stevia	Omega 3-6-9	Super Enzymes
Vitamin C	Phosphatidyl Serine	St. John's Wort
Vitamin E	Vitamin A	

During 1998, another slew of good-selling new products were introduced, the best ones being Whey Protein, CLA, Prostate Support, Glucosamine & MSM, Stevia Packets and a line of liposprays. Sometimes it's obvious which new products will sell well, though other times our best guesses aren't even close. Liposprays are, perhaps, the best example of a product line that should outsell traditional tablets and capsules, but don't. Liposome technology is simply a scientific method for increasing the quality and speed of absorbing internal and external supplements. Liposomes have been used for several decades in the cosmetic and pharmaceutical industries, mainly to increase the effectiveness of skin applications. Liposomes can increase the absorption of nutraceuticals by 50%, require less active potencies and can be slowly released over time for a more balanced effect.

Given the above advantages of liposomes and liposprays, we decided to introduce a line of lipospray products that would offer the highest bioavailability of each product. Initial products included B-12, Echinacea, Ginseng, Kava, St. John's Wort and Total Wellbeing, my favorite! Each of these sprays tasted great, was reasonably priced and gave a standardized dose in every spray. Each product had vast advantages over comparable products we sold in capsule or tablet forms. Yet, despite all these advantages, liposprays still haven't caught on and seem destined for small sales long-term. As I see it, Americans love to pop pills and get some instant feeling, like one gets when taking aspirin for a headache. We love convenience and the perception is that powders, liquids and any other non-pill form is inconvenient and for "health nuts." Years later only B-12 Lipospray remains in NOW's line-up.

INDUSTRY SLOWDOWN

By 1998 the health food industry was riding a huge wave that saw explosive growth for most of the nineties. Many of the trade magazines reported annual growth between 10-20% each year for the trade as a whole for that period. The times were good and the future looked even better. I had been watching the stock prices of competitors like Twinlab and Nutraceuticals and decided to put some of my 401K money into these stocks to have a little fun and watch the price go up and down. I also planned to take advantage of receiving competitors' annual reports delivered right to my doorstep without even asking!

Shortly after buying into these industry stocks, GNC announced a new discount strategy that it hoped would boost sales and increase its already dominant market share. Unfortunately, Wall Street didn't take kindly to the discount plan, fearing reduced profits, and punished the stock price badly. At the same time, other public health food stocks crashed in the same wave and soon my 401K money dropped in half and the game wasn't quite as much fun as I had planned. "Buy low and sell high" has been true throughout the ages, and I learned my lesson the hard way about investing in public stocks.

To make matters worse for the industry, raw material prices were dropping and this led to increased price competition from mass market stores. NOW, itself, has been a leader in reducing prices on products such as Ginkgo Biloba, Glucosamine, Melatonin, Creatine, and Saw Palmetto. In fact, over the years, NOW typically drops as many prices as it raises to show customers that not all companies perpetually raise prices for no good reason. With deflation for vitamin prices came pricing pressures for suppliers and soon many companies found themselves vulnerable to a downswing in the market. As chain drug stores, grocery stores, outlet stores, mail order and online businesses all jumped into the vitamin business, the long-term viability of the independent health food store came into question. Would the independent health store become like so many other industries' independents – mostly wiped out and replaced with discount supermarts and super sections in bigger stores? Or could the independent health store survive with superior service, better quality, selection and nutritional education against the onslaught by the masses? This was the question of the day as companies bet their futures by picking the retail market that was expected to survive and grow nutraceutical businesses.

Thankfully, another media blitz launched a new product that helped to offset some of the above losses. In March, 1999, Newsweek magazine ran a brief article touting a new supplement that might help relieve depression and help arthritis as well. SAME (Sammy) is a pharmaceutical amino acid that was sold only in Europe for two decades prior to its introduction in the U.S. The original article quoted research which showed SAME provided relief to 70% of depressed patients, roughly the same percent that benefit from traditional drug treatments. In July, Newsweek ran an expanded follow-up story on SAME that detailed how SAME works within the body, plus other benefits as well. Initially SAME was very expensive and available only in relatively low potencies. But after these articles hit, volume skyrocketed and other manufacturers

started making SAME. This led to fairly dramatic price decreases, which allowed for higher potencies at similar prices. SAME landed in the health food market and within a short time established itself as a best-seller in stores of all types. Once again, the media had a huge influence in launching an unknown product and driving it home to mainstream America.

During these few years of famine, NOW may have been the only national vitamin brand to continue growing in sales. Between 1999 and 2001, the company grew in single digits each year and easily outperformed the market. Surveys showed that the overall consumption of vitamins dropped by 5% in 2000, but NOW could at least hold its head high by increasing sales above all public suppliers within the health food industry.

At the prodding of Elwood, NOW started working directly with researchers to support their clinical efforts with nutrition. In 1997, NOW supplied cranberry capsules to the University of Calgary's OPTIMUS Programme, which "conducted the first randomized, double-blind, placebo-controlled, longitudinal trial of cranberry supplements ever conducted." The research centered on treating multiple sclerosis patients with cranberry supplements to control urinary tract infections. Another study, supported by NOW, was with the MCP Hahnemann University of the Health Sciences in Philadelphia. NOW provided the amino acid Glutamine as a potential treatment for cocaine and alcohol abuse as well as a placebo for control. This study involved 100 patients who ingested between two and eight grams of Glutamine per day for 12 weeks. In January, 2000 NOW supplied SAME double strength tablets to NNFA (later NPA) for submission to the newly formed UCI Center for Complementary and Alternative Medicine. This double-blind, randomized, crossover trial involved determining the effectiveness of SAME in the relief of knee pain due to osteoarthritis. Thirty patients took 600 mg of SAME for six months, with some controls modified during the trial to determine effectiveness. Finally, in 2000, NOW supplied NNFA with a custom Folic Acid tablet that would be given to the Hispanic Women's Initiative Program (HWIP), a division of March of Dimes. Four major U.S. cities were involved in the distribution, with the goal of reducing neural tube defect pregnancies. This grass roots project proceeded well and NOW was later recognized as one of the contributors during a Chicago event.

THE MYLES LIPTON STORY

A unique NOW customer was Myles Lipton, who owned a small mail-order business called "Dial and Save." Myles was not the humblest person I've ever met as I recall he once told me, with all seriousness and without bragging, that he was the most knowledgeable source in the world for vitamin sales over the internet. Apparently he devoted from 4 a.m. to 8 a.m. every day for several months to search and study what products were being sold online, and at what prices. As a mail order company, Myles was keenly interested in gaining whatever possible advantage might exist for his business. Myles was also a dreamer who had several simultaneous ventures in the works, some of which were definitely better than others.

One day Myles called me and insisted that I come down to St. Louis the coming weekend to discuss something so big that he wouldn't even hint at it over the phone. With a pregnant wife and two small children at home, I was very reluctant to go off on some wild goose chase and I repeatedly tried to politely turn the invitation down. Finally Myles offered to pay for two nights for my family at the St. Louis Ritz Carlton hotel, insisting that I meet with him within days. Since being frugal runs in my family, I couldn't turn down Myles' final offer and started making plans to drive to St. Louis for a big Friday evening dinner meeting.

After supper together, Myles suggested that we go to the top floor of the Ritz to talk about whatever he felt was so important. After some brief small talk Myles leaned over and whispered softly, "I'm about to become a billionaire!" Now that's a conversation starter that will get anyone's attention. Apparently Myles had federally incorporated his business name "Dial and Save" to cover all classes of trade and he had recently discovered a multi-level marketing phone company with the exact same name. The MLM phone company had expanded quickly and was close to having total sales of about \$1 billion. Myles attorneys had told him that because the phone company was using his properly registered name, he would be due a huge windfall from that business. Myles claimed that he actually "owned" the phone company since their name was his name and their total value would all be his! In short order Myles devised an interesting strategy for investing his expected billion dollars. He wanted to buy a retail drugstore chain with at least 1000 stores, and then buy NOW Foods and Source Naturals/Threshold Enterprises to supply the stores. This would reinvent nutritional education via nutritionally educated pharmacists.

Predictably, Myles dream never turned into reality and I tried to convince him at the time not to count his marbles so fast. I also told him that NOW Foods was not for sale and that my father would not be interested in selling the company at any price. This only raised the purchase price in Myles' determined mind and he chased his billion dollar dream with a legal team for over a year. Sadly, Myles' wife called some time later to say that Myles had accidentally killed himself and all of his financial dreams seemed quite unimportant. I lost a quirky business friend, NOW got stuck with a large bankruptcy debt from Dial and Save, and Myles lost the most priceless possession he owned. It reminded me of a tragic irony Jesus spoke about when he said, "What shall it profit a man if he gains the whole world yet forfeits his own life?" Myles may be gone, but he touched many friends in the natural foods business and will not be forgotten.

Y2K ISSUES

As the millennium approached, more and more genetically modified or engineered foods came on to the market. Because this is disturbing to the natural way of growing foods, NOW more actively opposed the use of genetically modified organisms (GMOs) in our food supply. We've argued that, at a minimum, genetically engineered foods should be labeled as such so that intelligent consumers can make informed decisions about what they put into their bodies. NOW has funded and supported Mothers for Natural Law, Citizens for Health and the Campaign to Label Genetically Engineered Foods in an effort to influence the battle for our food supply. NOW has also supported an industry

task force, which includes Whole Foods Market and Wild Oats Market, to validate analytical tests for detecting GMOs in various foods. Because this is a relatively new issue, more education and support is needed to change the way our country grows foods, before it is too late.

The end of 1999 saw many companies and consumers stocking up and taking inventory. NOW was well prepared, having spent large sums on computer and phone system upgrades ‘just in case.’ In preparation, many customers and suppliers had sent NOW letters explaining their own situation, with some requiring NOW to provide assurances that business would go on as normal. When the clock ticked midnight and the computer world hadn’t ended on January 1, 2000, I had to wonder if all of our expensive preparation had been unnecessary. One of our customers had taken extraordinary pains to prepare for the new millennium. E C O Foods in Honolulu, our best store customer in Hawaii, decided to close up shop and move to Nevada, where he opened a new store. Somehow, the owner thought that life in the desert would be safer and more insulated from Y2K damage. Unfortunately, the move proved to be in vain and the new store went out of business within a year. It’s sad to see formerly successful businesses fail and even sadder to see longtime business friends disappear. Hopefully Bobby, the owner, will return to the Big Island and resume the successful business he had led so well.

In 1999, NOW negotiated exclusive importation and distribution of a deodorant cream called Lavilin. The product had been sold in the U.S. for a number of years, but the Israeli manufacturer was disappointed with sales and chose to deal with NOW due to our expanded health food store distribution. The Lavilin product is amazingly unique for a deodorant, as it naturally kills bacteria, which cause body odor, for up to seven days. I didn’t really believe this until I tried it and found it to be true. Even after basketball and a shower, the product continues to work far beyond what most people would think possible. Unfortunately, in 2004 NOW lost this exclusive line back to the former U.S. importer and five years of promotion and effort seemed wasted. Some years earlier NOW had replicated the active ingredients in Lavilin and still sells “Long Lasting Deodorant” in stick form. As an ongoing user, I can vouch that our generic version actually works and lasts for up to a full week with just one application. Really!





Dr. Cassista, NOW's microbiologist

QUALITY MATTERS

In June, 2000 NOW underwent an intensive three-day independent audit by NNFA to see if NOW qualified for GMP (Good Manufacturing Practices) status, a new industry program designed to improve quality. The auditor was a 37-year FDA veteran who followed raw materials from the time they reached our dock, through manufacturing, into the warehouse and out the door. Areas such as identity testing, stability, potency and product formulation were all closely scrutinized to assure that NOW adhered to proper GMP protocol. We had been preparing for this visit for some time and had made significant paper trail changes to assure that our auditor would be satisfied. On July 6, we received official notice from NNFA that NOW received an “A” rating as a manufacturing and distribution facility. This was the highest possible grade given and allowed NOW to ‘toot its horn’ to the world. Later, NNFA required a disclaimer for every use of their GMP logo on labels because “the quality of individual ingredients has not been certified.” We were told a small competitor complained and threatened legal action because the new logo would give an unfair advantage to companies, like NOW, that manufactured their own products. Maybe so, but the GMP program has been a huge step in the right direction for the industry, by requiring companies to guarantee full potency of each product at the end of the expiration date. Better quality supplements is a goal that suppliers, consumers and the government all agree upon. By 2008, FDA adopted formal GMPs and began implementing site inspections of vitamin manufacturers with even greater strictness for product safety and quality control.

About this same time, NOW decided to apply to become a certified organic manufacturer and distributor of organic foods and food supplements. Products like barley grass powder, alfalfa seeds, flax meal, vanilla extract, lavender oil, flax seed oil, and spirulina are a few examples of organic products that have been third-party certified from the ground up, requiring three years of no synthetic preservatives, chemicals or fertilizers. NOW applied to Quality Assurance International (QAI) for certification as it seemed this company was preferred by many of our vendors and seemed to be one of the largest certifiers. We soon learned that certified organic products require much, much more documentation and assurances than non-certified or wildcrafted products. A new, organic section of our warehouse was required so that non-organic products wouldn't ‘contaminate’ the organic goods. An internal organic tracking number needs

to be assigned to each lot of organic product to allow for a comprehensive audit. Testing by gas chromatograph and mass spectroscopy are also required for any possible pesticide residue contamination. Additionally, NOW requires that every new organic shipment must be frozen for three days and then tested for micro levels. Since NOW is one of the very few natural food brands to have an in-house microbiology lab, we are able to determine results as quickly as possible. Finally, all procedures used on organic products must meet the Organic Foods Production Act of 1990 (Recommendations to the Secretary of Agriculture) and the Guidelines for the Organic Food Industry, which is produced by the Organic Trade Association. Organic products are the wave of the future for good reason: our bodies work better and live longer without artificial preservatives, chemical additives, fertilizers, fumigants and pesticides.

A final quality frontier was passed in 2002 when NOW became certified Kosher for a limited number of products. Kosher regulations are very strict and require manufacturers like NOW to do an incredible amount of paper chasing to verify vendor claims and assure proper processing methods. The whole Kosher system stems from an odd verse in Exodus 23:19 which says, "You shall not boil a kid in its mother's milk." Over thousands of years Rabbis have expanded the interpretation of this verse and it is still not agreed upon today. Basically, the idea is to keep any meat products separate from any milk products so that an animal is not cooked or consumed with milk. Within the Jewish community today there are different levels of Kosher certification, some more strict than others, on production equipment, sanitation, documentation and processing. NOW chose to be certified by the strictest branch, Circle U, which is accepted as Kosher by all Jews. To the average Gentile, this merely means that NOW's Kosher products are the cleanest possible products, having passed the highest levels of Kosher laws.

GOING INTERNATIONAL

As NOW grew to be a larger concern in the early 1990s, international sales started to become a major area of growth for the company. Initially, NOW didn't have the manpower to reach out to international markets, so customers somehow managed to find us. As early as 1992, NOW sold to customers in Canada, Israel, Japan, Norway, Philippines, Poland, Singapore, Taiwan, and the UK. Ten years later exports have increased many-fold and dozens of new countries have opened their markets to NOW products. International sales are NOW's biggest growth potential simply based on population and the newness of supplements in many countries. Selling to many international markets makes one appreciate the nutritional freedoms we have in the U.S. Countries like Canada had regulated products like vitamin C and vitamin E as drugs and required Natural Product Numbers (NPN's), which means much higher costs of doing business. Other countries, like many in the European Union, have such difficult trade barriers that it becomes very expensive to do business with them.

On the flip side, NOW is a huge importer of nutritional products and buys nearly half of all its products produced overseas. Psyllium Husks from India, dried fruit from Thailand, Tea Tree Oil from Australia, Lycopene from Israel, Organic Stevia from China, Hoodia from South Africa, L-Carnitine from Switzerland, and Pycnogenol from France are some of the better known imports NOW sells in health food stores. What is less known is that many more traditional products are now produced in far away

places, particularly China. Did you know that most of the vitamin C consumed in the U.S. is produced in China? Same with Royal Jelly, Evening Primrose Oil, Chlorella, Glucosamine, Creatine and many teas. There's just no escaping the fact that today's business world is international in scope and many distant countries are better suited for growing or manufacturing certain types of natural food products.

In December, 1998 our Vice President at the time, Al Powers, made an official visit to China to solidify a customer relationship and promote the sale of NOW lecithin products. Al had been NOW's Vice President for many years and Elwood's choice to succeed him when he retired. So in response to the Chinese customer's insistence that NOW send over its highest official, Al agreed to go and had a very unusual visit to China.

The plan was for Al to be part of a media blitz to help educate the masses and sell more lecithin. NOW's importing customer was very well connected within the government and he had arranged for a press tour involving about 10 speeches in both Beijing and Shanghai. Al's speech, which was repeated identically ten times, had to be submitted to the government for screening and approved for public use before an assembly could be legal! Many cameramen and dignitaries attended these speeches and some were broadcast on national TV and radio. Each speech was constantly interrupted so that an interpreter could explain every word in Chinese as well. In Beijing, a huge neon sign had been put up that said, "Welcome NOW Foods!" It looked a little like Times Square in New York City and NOW was made out to be a U.S. brand similar in size to Coca-Cola or McDonald's. Al was able to accomplish his own personal goal of citing NOW as a "Christian Principled Company" and mentioning the name of Jesus Christ on communist television. In the end, the Chinese customer wanted NOW to pay for these extravagant marketing expenses – after the fact – and our relationship soon crumbled when we couldn't agree on a seven figure marketing fund without purchasing guarantees. Perhaps to recoup promotional losses, the customer found a loophole in the next letter of credit payment and a container load of lecithin sat somewhere in China, unpaid, while we tried to make a deal with the customer. Eventually, the customer bought the container load at public auction, probably for pennies, and NOW was left holding an empty bag, while the customer continued to pirate NOW's name on lecithin products all over China. We learned an expensive and bitter lesson in international business, something like, *"Put not your trust in princes, in a son of man, in whom there is no help."* (Psalm 146:3)

In 2002, NOW made a deal with Galilee Herbal Remedies, a kibbutz in Israel, to sell a co-branded line of vegetarian, kosher and organic herbal formulas. The paperwork required to consummate this deal was extraordinary. Galilee Herbal Remedies (GHR) had a line of products that needed NOW's marketing muscle and NOW is always looking for opportunities that can offer value to customers on quality products. After nearly a year of discussion, certifying, and sourcing issues, the new line launched in 2002 with production and distribution provided by NOW. The resulting premium line is the very type of business that NOW seeks to provide: Superior quality, unique products, alliances with leading suppliers throughout the world and excellent value. Though the line did not sell well, and was dropped three years later, NOW is committed to improving many existing products to be vegetarian, organic and possibly kosher.

In June 2001, NOW sponsored the International Association of Biomedical Gerontology conference in Vancouver, B.C., Canada. Forty-seven internationally prominent researchers presented current research regarding aging with the goal of increasing public awareness of aging research. This was expected to lead to dietary and lifestyle changes, which would allow people to live longer and healthier lives. Dr. Denham Harman, MD, Ph.D., the originator of the Free Radical Theory of Aging, was the host and driving force to put the conference together and work with NOW to try and make extremely technical research understandable to the average reader.

Elwood Richard has long had an interest in anti-aging research, especially since he turned 70 years old! His own theory about aging is similar to Dr. Harman's and goes all the way back to the Tree of Life in Genesis. If the Genesis account is historical and factual, then it may be that the original Tree of Life was some sort of an antioxidant tree. Since we age largely because of oxidation, much like an apple oxidizes quickly when cut open, a powerful antioxidant may have acted in a physical way to keep Adam and Eve alive indefinitely. After all, they seemed to begin aging only after being removed from the Garden in Eden and away from the Tree of Life. The first humans may have needed to consume the antioxidant tree daily, in order to counteract the natural effects of being human. (Interestingly, the book of Revelation talks about a tree of life reinstated in the end time, which may explain how people could be immortal once again!) In the meantime, folks are advised to consume more antioxidants like vitamin C, vitamin E, Alpha Lipoic Acid, Glisodin and Grape Seed Extract, and refrain from oxidized foods such as fried chips that cause oxidation in the body.

DREAMS DO COME TRUE

On February 7, 2002 Elwood received a phone message from Bill Walton, former National Basketball Association player and late NBC basketball commentator. Our future President, Jim Emme, had sat next to him on a recent flight and told him that the owner of NOW still plays basketball weekly at 70 years of age. Apparently, Mr. Walton decided to make Elwood's day, because he called the next week and left a very inspirational and humorous message. Listed below is a copy of that message, a call that made my Dad so giddy it was a day to remember.

"Elwood Richard, my name is Bill Walton and I'm not calling to ask for anything. I was given your name by Jim Emme, Director of Marketing and Distribution. I ran into this fine gentleman on an airplane. He said that you are an outstanding basketball player, even though you may have lost that explosive quickness just a week or two ago. But, still very, very tough. I'm in the Basketball Hall of Fame and with NBC sports and I'm on my way to the All-Star game in Philadelphia this weekend. There's been some injuries and we need some players who we can rely on. If you get a chance, if you have confidence, ability, poise, competitive greatness, physical fitness, skill level and commitment to the team, we're looking for some really good players. There's a big game in Philadelphia Sunday night and we don't want a junk game, we need really solid players and I heard that you are one of the most solid players in the country, even though you have that nagging back injury. Please call me at I'm not calling to ask for anything. I'm just calling to thank you for making this country and this world a better place. Keep shooting every time you get it. You can miss as well as the next guy. Congratulations. Be safe. Be quick, but don't hurry.

Don't play defense with your face down, it's not a good idea. And never mistake activity for achievement. Good health to you Elwood. Chase that ball down. Remember, failing to prepare is preparing to fail. Good day sir."

Looking back, this era was one of the most exciting and fulfilling chapters in the story of NOW Foods and our family. Our successes up to this point exceeded everyone's expectations and my wildest dreams, yet it turns out there was even better to come. Who could have foreseen that by the end of 2002 NOW would employ more than 500 people, own a 203,000 square foot warehouse that we built, sell over \$100 million annually, and be one of the top health food brands in the United States? I'm still amazed at the bountiful blessings bestowed upon us. From our very humble beginnings, and against all odds, NOW Foods has succeeded by filling a needed niche in a growing industry. It's not because we're smarter or harder working than our competitors (although we do try). It's because our business has been blessed with exceptional customers and employees who have bought into NOW's game plan to make quality natural products affordable. To future generations the good book says, *"Let this be recorded for a generation to come, so that a people yet unborn may praise the Lord"* (Psalm 102: 18). NOW had achieved everything our family hoped, but now it was time to start preparing for the challenges that come with being one of the top natural product brands in the nation.

***“But as for you Daniel, conceal these words,
and seal up the book until the end time;
Many will go back and forth,
and knowledge will increase.”
Daniel 12:4***

2003-2005

Recent years hardly seem to qualify as history. Yet every year brings a multitude of surprises, disasters, discoveries, wars and hope. On March 23, 2003, the United States launched a preemptive attack against Saddam Hussein, the Butcher of Baghdad, in an elusive search for weapons of mass destruction in Iraq. A new disease called SARS afflicted countless Asian travelers, as well as our neighbors in Toronto. Atkin's low-carb diet peaked as one in every 10 Americans lost weight with the widely promoted fad, though it turned out to be short-lived as Atkin's declared bankruptcy in 2005. Finally, the entire world worked its way out of the shadows of international terrorism that had erupted on 9/11.

At NOW, these three years were largely spent gearing up for the next great sales wave and future acquisitions, in order to keep up with public competitors' growth. NOW installed a new Oracle ERP (Enterprise Resource Planning) system in June, 2002 and became internally divided about the benefits of a bigger and better system. The health food industry seemed to 'discover' NOW as we received a number of prominent awards including Manufacturer of the Year by one trade magazine in 2003. Vitamin consumption in the U.S. sunk to the low single digits as the Coral Calcium fad slowed and negative publicity on Vitamin E hurt sales of that category by up to 40%. And my father, Elwood, formally retired January 1, 2005, leaving the company in the hands of a very capable management team that he had molded over the previous decade.

INDUSTRY CONSOLIDATION

Every business student knows that it is a natural progression for growth industries to eventually mature and consolidate into fewer, larger and stronger competitors. Industries such as hardware stores, drug stores, book stores, toy stores and more have seen the number of independent businesses shrink in favor of large, usually public, consolidators and category-killers. These giant retailers and brand names are changing consumer shopping choices as more and more family businesses fail to survive the spiraling competitive landscape.

At NOW, our first company acquisition in June, 2000 was a big one: Puresource (www.puresource.ca), Canada's largest wholesaler with over 100 employees. Puresource had grown very quickly in only 10 years and had been NOW's preferred importer to sell NOW products into Canada. Our part-time sales rep in Canada, Doug Finlay, was also a business real estate broker and he suggested this marriage and helped to make it happen. Puresource had a very successful sales and marketing team, but a weak financial side that caused the company to be sold. Our primary objectives for this purchase were to accelerate NOW product sales into Canada and to test the waters to see how profitable and practical distribution of third party brands to health food stores could be. Ten years after this acquisition, NOW has become one of the leading brands in Canada

exclusive to health food stores, in small part helped by including the Canadian maple leaf in our main logo! NOW sales grew by over 2,000% in just 5 years as Puresource focused on distributing NOW brand to independent stores. Our management team learned much about nationalism north of the border, which is alive and well, and all U.S. employees needed to learn on-the-job how NOT to offend Canadians with American bravado.



In June 2003, NOW opened a distribution depot in Sparks, NV to improve our service levels and shipping times to West Coast customers. Previously, NOW either shipped ground orders by UPS or FedEx and air shipments by DHL. But this was either slow or expensive, so we made plans to build a distribution facility that would be able to support our most distant US customers. The new building is 29,000 sq. ft. and features a simplified picking system that is lower in cost and easier to use. The manager instilled a high level of service among her employees and she had an interesting personal example of superior customer service. One Friday, she was at home on vacation and the office called to say that a very large order had been shipped to the wrong customer and the trucking company couldn't deliver it for several more days. The order was very big, so she rented a local U-Haul truck and drove nine hours with her family in tow to pick up and make a special Sunday delivery near Los Angeles. The customer was very grateful and our manager even made a Herculean effort to get back to Sparks in time for the Monday rush of orders. That's the kind of effort that makes a difference between good companies and great ones.

Later in 2003, another opportunity came our way when the owners of Nature's Apothecary, a brand of liquid herbal extracts, called offering to sell us their small business. The business had been in decline for several years and came crashing down when a deal with GNC fell through. Nature's Apothecary had over-extended itself and produced vast quantities of unusual liquid herbs, which could not be sold through normal store channels. The line was conceived using wildcrafted "fresh" herbs, which had to be harvested, transported and processed for extraction within 72 hours. Despite the production challenges inherent in "fresh" liquid extracts, the line grew to over 250 different products, including aromatherapy inhalers and room sprays. A nominal herbalist would be humbled by lack of knowledge of herbs in the line such as Blood Root, Figwort Leaf, Hydrangea Root, Poke Root, Squaw Vine, Stone Root and Toadflax. Unfortunately, Nature's Apothecary never took off and NOW discontinued the entire brand in 2007.

In May 2005, NOW purchased Burnham Labs, a cosmetic manufacturer in Niles, IL that gave NOW expertise to add new personal care products. John and Soo Chang had owned the company for about 10 years and it seemed to be an opportune time for them to cash out and for NOW to cash in! NOW had been a customer of Burnham for over 5 years as Burnham made products such as MSM lotion, Long Lasting Deodorant Stick, Celadrin® Lotion, Joint Support Cream and Wrinkle Rescue™ Cream. Burnham only had about 15 employees, which NOW easily absorbed and needed to run the existing business. This prompted one big change within NOW as quality and production

departments needed to gear up to become OTC (over the counter) compliant. This involved some substantial changes such as added documentation, longer stability studies, FDA notices, additional product testing and some process changes. The extra costs give reason enough to be thankful for living in the U.S., where supplements are protected by law and not subject to excessive pharmaceutical costs.

In August 2005, NOW purchased another Canadian distributor, Produits Biologiques Himex Inc. (www.inari.ca) in Montreal, Quebec to support our existing Puresource efforts. The former owner was dying and had been in prolonged negotiations to sell his business. Unfortunately, he passed away before a deal was complete, but NOW did purchase the company from his estate and kept a solid business afloat that likely, otherwise, would have gone out of business. Himex imports many certified organic foods and sells a brand of packaged foods called Inari, largely to stores in Quebec. The goal is for Himex to leverage Canadian house brands (Herbal Select) and to establish NOW as a dominant brand within French health food stores. Politically, we can only hope that unity will prevail among the provinces as Quebec retains its distinctly unique home within Canada. As the good book says, *"Behold how good and pleasant it is when brothers dwell together in unity."* (Psalm 133:1)

THE ORACLE AGE

Early in 2001, NOW management began discussing the need for a much larger computer system to drive future growth. We anticipated making many acquisitions, expanding into foreign countries, opening multiple distribution centers and needing a world-class warehouse system for GMP and better efficiencies. A consultant recommended that we look at a super-duper, new, all-encompassing system known as ERP (Enterprise Resource Planning). Until that time, NOW had used a very simple, low-cost system known as FACTS, which did not have any bells or whistles and was very easy to operate and fix. It lacked many of the options that we wanted and so management decided to move forward with the purchase of an Oracle system.

Initially, our board approved the sticker-shock cost of \$3 million to buy, build and install an entire system in order to fulfill all of our company goals and dreams. This was quite a step up from our last system that had cost under \$100,000 only 10 years earlier and included all software, hardware, printers, one year warranty and 15 terminals! Somehow, we pressed forward and hired an outside consultant company to review our processes and set up Oracle to fill our needs with customized software. The consultants 'lived' in NOW's offices for over a year and they seemed to be more learners than teachers for this latest-and-greatest Oracle 9i system.

In June 2002, NOW went live with Oracle and the company practically shut down. For several weeks we were unable to ship many orders, unable to answer the deluge of phone calls and unable to conduct many basic business functions. Our sales phone service levels plummeted to under 20% (# of calls answered within 45 seconds) compared to our norm of 85%+. Basic actions like entering orders took, and still take, much longer than our former, simple, low-cost system. The lure of Oracle's superior reports and information turned out to be a major problem because our expensive new system operated at a crawling pace compared to what we had before. In order to support our

amazingly patient and kind customers, NOW shipped overnight air for many months and ended up wasting over \$500,000 in FedEx air charges. In the end, we figured that implementing Oracle ended up costing the company about \$10 million total in extra labor, consultants, lost sales, excess freight and more. Below is a quote from internal reports later that summer:

“June 2002 was probably our worst month of sales service to customers ever... The speed of Oracle continues to be a problem. It is not OK currently. Every function (log-ins, searches, screen changes, set-ups) is frustratingly too slow. It is making productive employees unproductive and frustrated. After 10 weeks, we remain handcuffed in many ways.”

Fast forward three years and Oracle is a well-adjusted, cost-saving tool that is helping NOW in many ways. It took a lot of in-house learning to figure out how to use the system to our advantage, and today it all seems worthwhile after all. Oracle provides excellent reports and the system is extremely stable and functional for years to come. It also provides NOW with the ability to purchase additional outside companies and link systems in ways that are optimal for financial reporting. I wish we didn't have to go through all the pain and hard work of changing to Oracle, but at least the system works today and does provide many advantages that competitors lack. But let's never change systems again, life is too short!

AWARDS & MORE AWARDS!

A flurry of industry awards arrived at NOW during this time period. Below are the highlights of how NOW stopped being a 'sleeper' company and started earning industry and peer respect:

- In 2003, *Nutrition Industry Executive* magazine awarded NOW its Manufacturer of the Year award. This was a pleasant surprise and came with a feature article to the health food trade about NOW's history. It included the statement “NOW's hard-earned position as an example for others to follow persuaded the staff of Nutrition Industry Executive to name the company Manufacturer of the Year for 2003.”
- In 2004, NOW was recognized by Consumerlab.com, an independent testing business, for being “the top ranked brand in health food stores based on customer satisfaction.” This resulted from a consumer online survey of 6,300 shoppers showing all major vitamin brands and asking regular users of dietary supplements to rank their level of satisfaction in various areas. When the results were in, NOW was at the top of the list!
- In 2004, the U.S. Department of Commerce gave NOW an Excellence in Export Achievement Award for our stellar sales growth in many markets overseas.
- *Vitamin Retailer* magazine continued to honor NOW with multiple VITY award winners each year. In 2004, NOW gained eight 1st place awards as best-selling products in health food stores.
- NNFA presented my father, Elwood, their Crusader Award in 2004 at the national

convention. This award is similar to a Lifetime Achievement award and honored Dad for his lifelong industry efforts.

- In 2005, *Nutrition Business Journal* presented Elwood another Lifetime Leadership Award. They noted his hard work, vision and commitment to inspire a large company and entire industry in areas of retailer support, overall quality and taking proactive measures toward environmental preservation.
- In 2005, NOW's analytical scientists gained industry respect when our newly developed method for HPLC testing of glucosamine was approved by the non-profit AOAC (American Organization of Analytical Chemists). This means that a method that NOW created was accepted by AOAC, after a 2-year validation process, to become the official standard test for the industry.

BILL RICHARD LEAVES HIS MARK

After years of being passive stockholders, two of Bill Richard's progeny joined the NOW team as full-time employees. After eight years with EVEREN Securities, daughter Beth Pecenka left her position as Senior VP, Equity Research covering the Specialty Retailing and Supplement Manufacturing sectors, for an all-too-short break to have three healthy, energetic boys. During this so-called break, Beth also worked as a NOW consultant to provide industry and competitive analyses. Since August 2003, Beth provided expertise in strategy and business development, as well as later leading our marketing group. Unfortunately, a messy problem caused Beth to leave the family business she loved in 2015.

Bill's son, Mike Richard, finally took Elwood's advice to retire from the U.S. Navy and return to the business. Mike served 25 years, rising through the enlisted ranks and obtaining his commission as a Naval Officer. Mike's experience in operations & logistics, personnel, and administration has already had a positive impact on the company. Easygoing by nature, Mike was extremely happy to learn that we no longer hand-pack desiccated liver powder like he did in his teens.

Sadly, just as Mike and Beth were settling in to their roles at NOW, their father, Bill Richard, passed away April 25, 2004 after fighting a battle with cancer. I truly feel that Bill would have listed his children's increased participation in the family business as one of his proudest accomplishments. Their decisions to join the company full-time was a result of "talking shop" with Bill often about NOW and his vision lived on through them.

CHOLESTEROL BE GONE!

Having become a 40-something in 2004, I had a blood test at our local health food store in May, 2004 to check up on my health. I had not been tested like this for at least 10 years since I am normally in very good health and almost never visit a doctor. I expected a very clean bill of health because of my healthy lifestyle, regular basketball, multitudes of vitamins and immersion into health foods from a young age. The report shocked me when it showed my total cholesterol was at a surprisingly high 269 and LDL (bad cholesterol) was at 195. Though every other part of the test had very healthy results, I had never anticipated any trouble with cholesterol, especially at my age. Fortunately, there is so much information available to naturally reduce cholesterol that nobody needs to get hooked on statin drugs, which warn of many negative side effects.

I started a regime of a variety of NOW nutritional products. I knew from many customer reports to expect a very significant improvement in cholesterol. Without any lifestyle changes I took another test three months later and was quite pleased to see my total cholesterol had dropped from 269 to 180 and my LDL levels dropped from 195 to 113!!! As a final bit of good news, my liver scores for GGT, AST & ALT all improved thanks again to my nutritional program, which is aimed at supporting a healthy liver. My ALT (GPT) liver enzyme number made the biggest improvement from too high at 46 to just right at 29.

Interestingly, I had another blood test one year later to see how my cholesterol levels would be. After I had reached my goal for lower cholesterol levels, I reduced my program to a low maintenance level. My test in August, 2005 showed my total cholesterol increased slightly to 208, but was still much improved over 269. LDL levels were moderate at 134. With this helpful information, I'll go back to an intermediate nutritional program and test again regularly to continue my guinea-pig experiment!

CHANGING OF THE GUARD

After many years of promises to retire, Elwood stepped down as our President January 1, 2005. He had publicly declared Al Powers to be our next president for many previous years and always made a point at our annual Christmas dinner to let everyone know that he really would retire one day soon. After hearing the same story for so many years, many employees felt that he would actually continue indefinitely because he just couldn't pull himself away from the day-to-day business. After all, he was the one with the vision for NOW, at one time the only employee, and the 'boss' for 37 years to so many varied workers. Additionally, those who know Elwood understand that he is a workaholic and enjoys working with health food products, chemistry, research and health food retailing. He still works more hours than many of our managers, but he moved his office down to a normal cubicle in a remote part of our office without any direct reports or specific day-to-day responsibilities.

This process of stepping down and giving up authority is typically painful. Most family businesses endure great stress working through the many decisions involved in the changing of the guard. Who will lead the company? How can we assure long-term financial success? How can we avoid estate taxes that might sink the ship? How involved will/should the founder remain? What about going public or ESOP's (Employee Stock Ownership Plans)? How to pass on the company mission to family members and managers who often don't share the same business passion? As the richest and wisest man (Solomon) in the world said in his old age, *"So I turned about and gave my heart up to despair over all the toil of my labors under the sun, because sometimes a man who has toiled with wisdom and knowledge and skill must leave all to be enjoyed by a man who did not toil for it. This also is vanity and a great evil."* (Ecclesiastes 2:20-21)

In our family's case, this act of succession went off without a hitch. It was very well planned out in advance, future leadership was established, estate planning was in effect for over 15 years and Elwood had many, many plans that he wanted to do. The real key was Dad's humility and willingness to disengage from management, while Al Powers' duties increased. Fortunately for all, the company enjoyed a double-digit growth year and record profits in 2005, so the honeymoon period allowed Elwood the opportunity to not worry or become overly involved in daily work matters. Elwood does remain NOW's Chairman of the Board and is very involved in directing board activities and many other matters of interest to him. He is a board member of Citizens for Health (www.citizens.org) and the driving force to start the National Health Research Institute. Elwood enjoys going to technical conferences (American Oil Chemists), promoting educational e-mailings, biking in good weather, and visiting many retail health food stores. He's found himself working more than he had thought previously, but has found more time to do things with the family, and especially his grandchildren.

CHARITY TO THE WORLD

As NOW's profits grew over the years, so did NOW's charitable giving. The primary owners each had their own favorite charities to support and we had to discuss the ground rules at first to determine how we would divide the pie. We agreed to donate funds for "basic human needs", which mostly means food, water or vitamins, and often in destitute areas. We also give some support for conservation and agreed that we don't want to donate to any charity that might offend any of our owners. We require financial statements from each non-profit and aim to give to those that give the highest percent funds to the cause, and not to overhead. This has been a wonderful benefit to having a successful and profitable business. Roughly, 32% goes to local needs, 32% to world needs, 22% to disaster relief and 14% to conservation.



Mother and daughter helped by Vitamin Angel.

CHARITIES THAT NOW HAS SUPPORTED IN RECENT YEARS:

Autism Research Institute	www.autism.com
Compassion International – Helps children's needs.	www.compassion.com
Conservation Foundation – Land and river protection organization.	www.theconservationfoundation.org
Feeding America – Help fight hunger.	www.feedingamerica.org
Feed My Starving Children – Feeding God's starving children hungry in body and spirit.	www.fmssc.org
Hephzibah Children's Association – Supports children's care.	www.hephzibahhome.org
Hill of Hope – Helps unfortunate in India	www.hillofhope.org
Life Center Elgin, IL – Provides pregnancy support.	www.tlcpregnancyservices.com
Marklund Children's Home – Supports severely handicapped children and adults.	www.marklund.org
Meal-A-Day – Provides basic food and services.	www.cmadfa.com
Natural Health Research Institute – Informs consumers and officials on health research.	www.naturalhealthresearch.org
People's Resource Center – Local food pantry.	www.peoplesrc.org
SCARCE Environmental – Inspiring people through environmental education.	www.scarce.org
Vitamin Angels – Gives supplements to those in need.	www.vitaminangels.org
Williamsburg Christadelphian Foundation – International needs.	www.wcfoundation.org
World Relief – Gives support to refugees.	www.worldrelief.org

MANY GOOD THINGS

As 2005 ended, NOW had accomplished many great things. Our corporate name changed to NOW Health Group, in order to reflect NOW as the lead brand in our growing lineup of brands and integrated companies. NOW's slogan changed to "Nutrition for Optimal Wellness" in order to take advantage of our acronym and to better identify what it is that we do. Our famous orange NOW colored labels were tweaked with an extra slice of purple

and a bit more design depth to produce a trendy, feature-rich package. And NOW teamed up with Marcia Zimmerman, CN to help endorse NOW products, lead training sessions and utilize her decades of experience in product formulation and nutritional education.

Yes, life at NOW had been good to this point, and many great things were yet to come. It's a good thing for a business to provide rewarding work for its employees, healthy nutritional products for its customers, and a reasonable profit for its owners. NOW wears this Triple Crown proudly, and as 2005 wound down we were reaping the rewards of this labor and gearing up to continue it. *"This will bring health to your body and nourishment to your bones. Honor the Lord with your wealth, with the first fruits of your crops."* (Proverbs 3: 8-9)



Natural Health
Research Institute



Marklund

world relief™



Protecting nature. Preserving life.™



vitamin angels



***“I am going to bring it recovery and healing;
I will heal them and reveal to them abundance
of prosperity and security.”
Jeremiah 33:6***

2006-2009

It's good to be thankful in bad times as well as good. But it's certainly easier in business when there's more to celebrate than to mourn. In 2006 the debate about global warming was heating up thanks to former Vice President Al Gore's movie "An Inconvenient Truth". Iran and North Korea were two rogue nations saber-rattling threats of using nuclear arms. An E. coli outbreak in spinach, which killed three people in the U.S., caused spinach salads to disappear from the market, including restaurants. And Time magazine boldly proclaimed their Person of the Year to be none other than You!

At NOW, the company continued to grow and receive many additional awards. From industry magazines to government proclamations, NOW racked up some amazing business accomplishments. We completed a major building expansion in 2008, and became fully compliant with current FDA Good Manufacturing Practices (CGMPs) by mid-2009. A new brand called Protocol® was launched in 2007 to sell exclusively through licensed health care practitioners. This would utilize NOW's excellent manufacturing facility and lab capabilities while tapping the fast-growing doctor market. And NOW's Richard family members organized the first Family Council in order to better communicate to management family wishes.

MORE AND MORE AWARDS

Company recognition from peers and press accelerated in these years. In 2006 NOW won six more VITY product awards from *Vitamin Retailer* magazine, an award for educational initiatives regarding NOW University from *Nutrition Business Journal* and an Earth Flag for Business as NOW became the first for-profit business in our county to earn this award. My father, Elwood, also received a Natural Legacy Award from *t* magazine. In 2007 NOW claimed eight more VITY awards, a Business Achievement Award for efforts on behalf of the industry and recognition for Outstanding Business Recycling Program. These were all significant and greatly appreciated, but nothing close to what came in 2008. In 2008 NOW was fully recognized and rewarded in five significant ways:



BEST FULL LINE OF SUPPLEMENTS

The trade magazine *WholeFoods*, which is unrelated to the Whole Foods Market stores, gave NOW this honor in an article titled *The Time Belongs to NOW*. This was the first time we received this award, which recognizes full-line brands for overall performance.

MANUFACTURER OF THE YEAR

This was a repeat award winner, though from a different source. *Vitamin Retailer* magazine's editorial staff picked NOW among many possible brands. They wrote that "NOW stood apart in areas of quality, leadership in science and innovation, and dedication to retailers and the industry as a whole." This significant, repeat, public acknowledgement is humbling – as it should be! Hopefully it reflects "be who is lowly in spirit will obtain honor." (Proverbs 29:23)

CHICAGO'S 101 BEST AND BRIGHTEST COMPANIES TO WORK FOR

The National Association for Business Resources picked NOW in 2008 thru 2012 for this prestigious award. This annual competition honors companies that recognize employees as their greatest asset. An extensive array of professional criteria is used to determine the top 101 best companies, including communication, community initiatives, compensation & benefits, diversity & multiculturalism, employee education & development, employee engagement & commitment, recognition & retention, recruitment & selection, and work-life balance. NOW's mission, values, culture and leadership are all focused on the company's commitment to its employees.



NOW FOODS NAMED "CORPORATE HERO"

A new book by Ellis Jones called "The Better World Shopping Guide" listed NOW as the only 'Corporate Hero' in the section on vitamin brands. This was the highest honor given and came from NOW's significant waste reduction plan, environmental and sustainability efforts, donations to food banks, and recycling efforts. The real surprise is that no one at NOW even knew about this book, or the great news, until a friend from church showed me what she had found at the bookstore. NOW had no input or insights into this book at all, but we did start to distribute the book and have found it to be a great 3rd party reference to our way of doing business.

PRESIDENTIAL "E" AWARD FOR EXPORT EXCELLENCE

In May, 2008 NOW's International sales manager Philip Pittsford and CEO Al Powers toured the White House with other NOW employees to receive this award. NOW was one of only 21 U.S. companies to earn the award this year. Philip and Al actually spent private time in the Oval Office with President Bush, who congratulated our managers on their efforts. Created by President John F. Kennedy in 1961, the Presidential "E" award is the highest honor that the federal government can give to any American company or organization that has made significant contributions to the increase of American exports. NOW publicized this event on our website with a photo-op and splashed the news across the natural foods industry. One day I received a phone call from a troubled consumer who was very upset that we would mix politics with business by showing President Bush on our homepage.

While I tried to explain that our PR efforts were non-political, and that I personally was apolitical, he just couldn't understand or get over seeing the Commander-in-Chief so prominently on our website. He was so rattled that he told me he would have to throw away all of his NOW products, because he couldn't support such company politics. The real kicker is he admitted to being a Republican, but apparently not a big fan of that Republican President!



Al Powers (Left), President George Bush, (Center) Philip Pittsford (Right)

Photographed by White House Staff Photographer

NEW PRODUCTS

NOW's sales engine has always been driven by new products and we managed to introduce over 280 new skus in these four years alone. Customers and suppliers call us all the time with good suggestions for new introductions. In 2006, our best new products were CoQ10 600 mg softgels, Citrulline caps and B-12 Energy Packets. The B-12 product is very unique and is a tasty, small powder packet that can be used by bikers, or anyone, direct into the mouth or in drinks. We constantly aim to introduce quality new products like this that are new to the market and that make sense nutritionally. In 2007, our best new products were: Mangoni™ Liquid Concentrate, Ultra Omega-3 and L-Tryptophan (again). We formulated Mangoni as a superior, yet comparable, product to XanGo®, which is a multi-level marketing product. XanGo® started the mangosteen beverage market and with 1 million distributors helped to make Mangosteen a known name among health enthusiasts.

In 2008, our best new products were: AlphaSorb-C™, Vitamin D-3 5,000 IU, Ubiquinol CoQH-CF™ and Easy Cleanse™ pack. Our scientists spent over a year developing AlphaSorb-C™ as a replacement for Ester-C®, which was no longer available to NOW. We filed a patent for AlphaSorb-C™, which includes buffered vitamin C and threonic acid, plus we added alpha lipoic acid to enhance the body's absorption and utilization. Initially we labeled this product "Superior to Ester-C®", but soon removed that claim from labels and brochures after NBTY, the new owner of Ester-C®, warned us of legal action certain to come!

In 2009, another product surge hit the natural foods industry and this time the source was none other than Oprah. The talk-show host had discussed a new antioxidant berry called Açai with Dr. Perricone, and tied it into her own diet regime. Almost instantly, internet firms started offering super diet Açai products “as seen on Oprah.” Several fly-by-night web companies ran into legal troubles with the FTC and the Better Business Bureau over excessive dieting claims and auto-shipment scams. Meanwhile, NOW responded to this supercharged demand by supplying an organic, freeze-dried Açai in capsule form, in addition to our Açai drink. We avoided all references to dieting and Oprah because the value we found in Açai is as a whole food antioxidant. In the first two months of selling this product we sold out quickly and were unable to keep up with demand. It’s just amazing how much influence public figures like Oprah have, affecting millions of people and even suppliers like NOW. Six months later we added an organic Açai pure powder and Açai liquid concentrate as market demand kept this good-tasting berry in the news.

INTRODUCING PROTOCOL FOR LIFE BALANCE™

As early as 2004, NOW’s strategy team looked at vitamin sales through doctors as an attractive market. NOW had already sold to many doctors for many years, but we never really tried to do this because we viewed doctor sales as time-consuming, quite small and not really profitable.



Our views gradually changed as we found doctor sales of supplements growing in double-digits each year. We noticed that the practitioner channel was starting to enter the M & A (merger and acquisition) phase, which could be an opportunity for us. By 2005, our board had approved entering that market with an exclusive doctor brand and our preference was to find an existing company that we could purchase.

I volunteered to search for a brand that would fit within our company culture and be interested in a sale. I called more than a dozen doctor brands and eventually narrowed the field to three potential suitors who seemed to be a possible match. I visited each of these and was surprised at what wouldn't work for NOW. Synthetic Vitamin E, DHEA, artificial sweeteners, DLPA and other blacklisted items at NOW were too abundant in the brands we looked at. If we purchased one of those companies, we'd inherit products that we didn't allow in NOW brand and that would be costly to change. In the end, we were unable to find a brand that met our acquisition qualifications, especially our quality standards. So we proceeded to plan B to build a brand with healthy and natural ingredients which we would want to use ourselves.

In 2007, with the help of industry veteran Evan Zang, we came up with the brand name Protocol. We added the 'For Life Balance' part in order to have legal claims for our future doctor brand. (www.protocolforlife.com) We proceeded to lay out a game plan that would enable us to realistically and eventually become the # 1 brand sold to doctors. Protocol For Life Balance was launched in July 2007 with about 100 products. We quickly expanded our sales force, attended many physician conferences and aimed to introduce innovative and proprietary new products exclusively for Protocol for Life Balance™. Our flagship new product, ProtoClear™, was introduced in mid-2008 and quickly became the door-opener we needed. ProtoClear™ is a unique, high-protein, pea protein-based, detox powder mix that tastes better than competing brands. We fortified the product with many extra ingredients and managed to keep the finished product hypo-allergenic, instant and non-GMO for a superior elimination diet supplement.

MAP PRICING STRATEGIES

Every business sets prices in a strategic manner. Costs have to be covered and pricing has to be viewed as acceptable or fair to customers. Certain margins need to be made for any for-profit business or it won't be able to survive. The practice of picking prices is a delicate matter with much expertise in each business. Just search for an airline ticket at various websites and you'll see how much energy goes into setting the right price for the right flight.

In the U.S., the laws regarding how manufacturers price their products to consumers have changed. Until 2007, it was difficult for brands to require retailers to sell at their suggested retail prices. They might withhold shipments from retailers who discounted too deeply, but the brands didn't have full authority to set retail prices. This changed in June 2007 when the Supreme Court ruled 5 to 4 to make it easier for manufacturers to require retailers to stick to their "suggested" prices. This is known as Manufacturers Advertised Price or MAP strategies. This ruling overturned a previous anti-trust statute that said MAP agreements were illegal. Suddenly, brands such as Sony, Cisco, Samsung, Black & Decker and thousands more began implementing and enforcing MAP policies in order to control prices to consumers. The brands often hire outside companies such as NetEnforcers, MAPtrackers, Cyveillance and others to police their policies to help enforce their pricing plans among retailers. Within the natural foods arena it soon became apparent that many supplement brands were instituting MAP pricing of their own. Brands such as New Chapter, Garden of Life, Flora, Renew Life, Solgar, Enzymatic Therapy, Nature's Way and more initiated retail pricing controls so that

online retailers could not discount too deeply. Their idea seems to be that websites can discount very deeply and too low prices might affect consumer brand perception and, I'm guessing, their profits. The challenge they face is with so many independent retailers selling their products, enforcing MAP is like herding cats. It seems like every time I look I see another retailer who is violating known pricing rules and the manufacturers end up being price cops.

At NOW, we determined that as a value brand we would do a disservice to our end customers by putting MAP in place. We also found that many of our successful store customers resisted MAP because it becomes another form of unwanted regulation. Because our mission is to “provide value in products and services that empower people to live healthier lives”, we opted to avoid MAP policies. We let our natural foods market set fair prices and believe this is what's best for our consumers, store customers and NOW. The rulings are still being challenged and some states (Maryland 1st) are currently enacting laws banning MAP pricing, so we'll see how the courts determine the outcome.

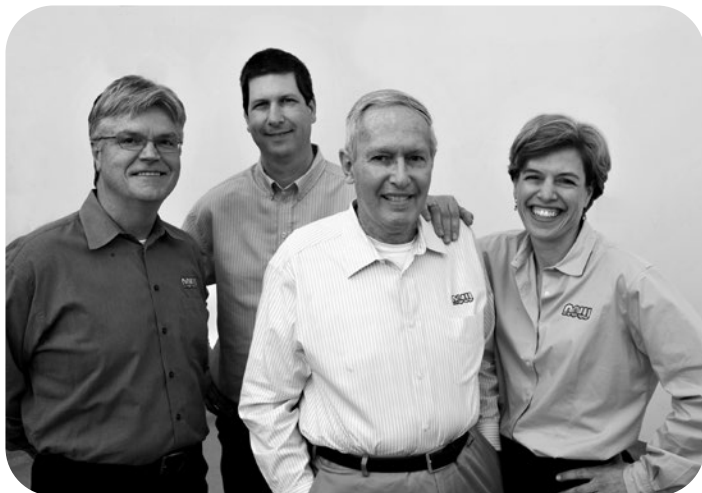
Interestingly, in March, 2000 I was personally sued, along with NOW, for this very issue by an online vitamin retailer. At the time NOW did not sell to web retailers and actually had a policy against selling to that class of trade. Unknown to us, our web customer claimed that I had enacted discriminatory pricing when I simply asked them how they could be profitable when selling at wholesale prices. Initially, the customer had bought and sold at the same price in order to grow quickly, which I knew was not sustainable. In the end, we cut off wholesale shipments, they sued, we counter-sued and the whole mess ended up settled out of court and wasting everyone's time. The web retailer thought that it would win a landmark internet pricing suit, but we knew that our pricing policies were fair, time-tested and legal. The saying is true, *“make friends quickly with your accuser, while you are going with him to court.”* (Matthew 5:25) Eight years later their same CEO and new CFO both contacted me repeatedly in order to buy our products again, but the memory of being sued was still too close. I had to tell them that our new sales policy is that we don't sell to any customer who sues us!

FAMILY BUSINESS 4TH GENERATION

Every leader needs to make preparations for the next generation to take over. Failing to do good succession planning is one of the main problems for family businesses today. At NOW, my father, Elwood, had done this for many years regarding Al Powers as the next CEO, as well as for future family members to join the business. One hurdle he didn't expect to encounter was from his own management team, which had reservations about preferential hiring of Richard family teenagers. Elwood found that he had to personally step in and lean on managers in order to get his grandchildren jobs at his own company!

Family businesses face this unique challenge in different ways compared to large public companies. With over 500 employees, nepotism can threaten the workforce as they may see unfair favoritism and think that future advancement is limited. At NOW, Sarah Wong became our first family teen worker of the 4th generation in 2004. After a rough first summer and a satisfying second summer, the family created a Family Council to help develop and mentor teens, while interacting with management. I had attended an

expensive but helpful Kellogg family business seminar and learned the value in organizing the family side of business. In time, the Family Council developed expectations and guidelines for hiring both teen students and future professional family members. We needed to become more formal in our planning because three more grandkids started working at NOW in the summer of 2009. Nathan Richard, Michelle Wong and Maddy Richard joined the workforce part-time, and we found our advance preparations paid dividends. The next generation better understood their role and how they needed to work harder than other employees to honor their family name. For *“a good name is to be chosen rather than great riches.” (Proverbs 22:1)*



In order from left to right: Mike, Dan, Elwood, Beth

THANKFUL TO MAKE A DIFFERENCE

After growing for ten good years at 395 Glen Ellyn Rd. in Bloomingdale, IL, it became necessary to expand our production capacity just to keep up with demand. The original 203,000 sq. ft. building was built with this future expansion in mind, as we hoped to continue our growth curve. By 2007 the company determined that we would expand by building out within our existing walls and add 54,000 sq. ft. of two-storied production space. NOW had subleased part of our building for ten years and this helped to reduce our original construction costs while providing some rent income. The expansion would make total production space 98,000 sq. ft. and the entire plant 250,000 sq. ft. Effectively, this expansion allowed NOW to double sales, which we hoped to accomplish within seven years.

NOW's chief engineer, Dan Mirjanic, took on this project and, with much help, accomplished the task on-time and close to budget. The entire cost of \$4.5 million was paid in cash as the company is blessed to operate with no real debt. This is a huge advantage and is very apparent when times are tough and other companies are forced to sell their business because of some misfortune. NOW is also able to go to many bankruptcy auctions and pay cash for expensive machinery. With our build-out complete,

much new additional equipment was purchased to make more capsules, tablets, liquid blends, powder blends and packaged goods. One extra reason we needed to expand was to help meet new federal Good Manufacturing Practices (GMPs). For companies our size, the new rules kicked in June 25, 2009 and suppliers needed to either comply with all requirements or eventually go out of business. Our new build-out included 4,500 sq. ft. of additional lab space for significantly more product testing, including many tests above and beyond those required by FDA. We test for heavy metals to parts-per-billion levels to assure safety. We test for allergens, including gluten, and label products gluten-free when appropriate. Using a new specialized instrument, we are now able to test and detect when products have been irradiated. We do these to provide for the safest and healthiest products available. We've increased hiring of new analytical and micro testing staff as our lab runs 24 hours per day doing dozens of sophisticated chemical analyses and microbial tests per day.

At NOW we were thankful to be part of the 5% of thriving companies as sales continued to grow above our projections into 2009. We gained largely because NOW is a value brand and our entire mission is to make quality natural products more affordable. It's ironic that after decades of defending our value business model, it took another recession for consumers to realize that high prices don't necessarily equate to high quality, and that there are still companies out there such as NOW that value quality and people over quantity and profits. Thanks to our sales and production growth we actually added 28 new jobs in 2009, which was about 5% of our total workforce at the time. At a time when jobs were scarce it was amazing and wonderful to be able to help people by providing useful and important jobs. We all need to *"labor, doing honest work with our hands, so that we may be able to give to those in need."* (Ephesians 4: 28).



Packaging Line for NOW Supplement Bottles



Inductively Coupled Plasma Mass Spectrometer (ICPMS)



High Performance Liquid Chromatograph (HPLC)



Microbiology Laboratory



Bottling Line



Encapsulating Machine

***“The earth has yielded its produce;
God blesses us.
That all the ends of the earth may fear Him.”
Psalm 67:6-7***

2009-2013

2009 was a year of important political and economic change in the U.S. Barack Obama was elected President, and former First Lady, and one-time foe, Hillary Clinton became his Secretary of State. America was burdened with two expensive foreign wars - Iraq & Afghanistan - which were becoming less popular with the public. General Motors filed for bankruptcy as the entire auto industry teetered on edge. Pop icon Michael Jackson died suddenly and the world population increased to over seven billion mouths to feed.

At NOW, history repeated itself with more sales growth, more sensational media hype, more facility expansion and more thievery. NOW became more politically active with personal visits with Senators McCain and Durbin, while building support for the Congressional Dietary Supplement Caucus. Dr. Oz started a daily show in 2009 and has been one of the best advocates anywhere for a natural, healthy lifestyle. When he recommends specific supplements, brands like NOW listen closely and enjoy the windfall. Record sales at NOW led to extensive hiring, new facilities and a guessing game for long-term planning. NOW's board of directors made the decision to put foods back into NOW Foods, so there's been a renewed focus to build our food category up to 25% of our total volume. Finally, while NOW continues to be family-owned and operated, the natural foods industry continued to evolve with consolidation, acquisitions and mature companies going public.

POLITICS & MORE POLITICS

In early 2010, former Republican Presidential nominee, and Arizona Senator, John McCain introduced a bill called the Dietary Supplement Safety Act of 2010. While this bill sounded innocent and reasonable enough, it was a dangerous and unnecessary threat to our industry once again. The bill, which was supported by the U.S. Anti-Doping Agency, NFL and MLB, aimed “to more effectively regulate dietary supplements that may pose safety risks unknown to consumers.” The problem was the bill overstated the safety issue in supplements by requiring companies to report non-serious adverse events to FDA and provide for immediate recalls of unproven products. It would also create a regulatory climate similar to the burdensome and bureaucratic system in place in Canada, which kept many healthy products off the market.

NOW's Neil Levin (see www.honestnutrition.com) and Al Powers arranged to meet with Senator McCain while he was in Chicago February 12, 2011. They were able to visit briefly and discuss the bill, and the Senator was agreeable to at least read our position paper about the faults in his bill. Meanwhile, industry groups such as the Natural Products Association (NPA), Council for Responsible Nutrition (CRN) and American Herbal Products Association (AHPA) all issued statements criticizing the bill and calling for it to be rejected. After hearing from these groups and many voters in

his own state, Senator McCain abruptly rescinded his support for this bill and the matter died in less than one month.

Dick Durbin (D-IL) was the second ranking Democrat in the Senate, with over 30 years of political service, and an arch-enemy of the natural foods industry. Senator Durbin first challenged the natural foods industry when he introduced the misleadingly named Dietary Supplement Safety Act of 2003. That burdensome act would have made many vitamins regulated like drugs, which would raise retail prices and likely put many small supplement brands out of business. This proposed amendment was defeated, but Senator Durbin would continue to re-introduce proposed regulations on vitamins for many years.

In a friendly gesture, NOW invited Senator Durbin to visit our main facility and showcase our people and equipment. Since we are located close to Durbin's Illinois office, he agreed to visit on January 24, 2011. We had a positive, but brief, tour and parted ways hoping that Senator Durbin would better appreciate our industry and quality controls. Unfortunately, the next year Senator Durbin proposed another anti-supplement amendment, but it was soundly defeated in the Senate 77-20 with help from Senator Harkin.



Senator Durbin (left) with NOW CEO Al Powers

NOW also welcomed the following politicians who toured our plant from 2010-2012: US Senator Mark Kirk, Congressman Peter Roskam, Congressman Randy Hultgren, Congressman Joe Walsh and Congresswoman Tammy Duckworth. Nevada Governor Sandoval also mentioned NOW in a February speech in 2012 regarding NOW hiring 100 new workers in Sparks, Nevada.

TOO MUCH DEMAND!

In early 2011, NOW experienced too much demand again, but this time in an illegal way. Since the company had built a Western distribution center, daily truckloads were shipped from Chicago to Nevada in order to keep that warehouse stocked. This daily allotment was fairly smooth for about ten years until one day a full truckload of our products was missing. Someone actually stole a full truckload of our products! We contacted the

local police, who investigated and were unable to find the crooks. Imagine my surprise when the FBI called about six months later (November 16, 2011) saying that they had found our missing truck in Miami as part of a drug bust. Many of the boxes had been opened, but almost all of the original containers were still in the truck. Unfortunately, the products had been stored unprotected in the heat of the summer in Florida, and we had to rely on our insurance to cover this loss. *“Do not trust in extortion or put vain hope in stolen goods; though your riches increase, do not set your heart on them.” (Psalm 62:10)*

After this experience, our shippers began hiding a tracking device in each truck so that if this ever happened again we would be able to find the truck quickly. Well, guess what happened next? Somehow history repeated itself and another full truckload of our products went missing less than a year later. Our trucking vendor immediately notified the police and began tracking the lost truck. The next day we received some hope when the tracking device was located and the truck was pulled over in Indiana. Unfortunately, the thieves turned out to be professionals who knew what they were doing, and they had found the tracking device and moved it to another truck. It seems that some criminals spend a lot of time staying one step ahead of the law! Later, our inside sales manager, Marymae Lorenzo, found these same products being sold on Amazon at far-below-cost by the case. We did our own investigation and discovered that the seller was less than 20 miles from our warehouse and had never bought from us. We gave extensive information to the local police, but they didn't do what we expected and so we had to write off another large loss.

THE GREAT AND POWERFUL OZ

Dr. Mehmet Oz is more than a trendsetter. He became an icon. He was born in 1960 in Cleveland, Ohio and earned an undergraduate degree from Harvard in 1982, MD from University of Pennsylvania School of Medicine and MBA from The Wharton School in 1986. Oz was both class president and student body president during medical school. He is a renowned cardiac surgeon who has written or participated in over 400 research papers and has several patents. To say that he is qualified to be “American’s Doctor” would be an understatement.

Thanks to his wife who is a producer, Dr. Oz started a health series for the Discovery Channel and that’s how he met Oprah Winfrey. Oz became the medical expert on her top-rated show from 2004-2009 and claims that Oprah taught him how to talk to audiences and win them over. Dr. Oz started his own spin-off show in 2009 focusing on medical issues and personal health. He has been wildly successful as a TV host and built up an extremely loyal following. When Dr. Oz talks, people listen and take action.

In 2011, Dr. Oz began recommending various nutritional products to help people improve their health. One show was entitled “Flat Belly Supplements” and the # 1 recommendation was a fiber called Apple Pectin. NOW was one of the few brands that had this fairly obscure product in stock and it soon jumped from being a mediocre seller to # 1 virtually overnight. Dr. Oz then talked about another fiber called Glucomannan and an antioxidant called Astaxanthin, helping to turn both of those products into household favorites.



Dr. Oz unleashed his full marketing power in early 2012 when he talked about six separate NOW products. 7-Keto® became the headline product for his big show called Best Belly Blasting Supplements, and this instantly became the top seller (short-term) in NOW's history. Oz also talked about Black Currant Oil, L-Carnosine, Relora®, Red Mineral Algae and Rice Bran Oil – causing each product to jump well over 1,000% in sales. The sales deluge was so extreme that NOW's overall inventory service level dropped enough to be our next major corporate problem! Our biggest challenge with these crazy fads is how to meet demand quickly, something that is easier said than done. But as the good book says, *"You will eat the fruit of your labor; blessings and prosperity will be yours."* (Psalm 128:2) Below is a poem that I sent to Dr. Oz that year in an unsuccessful effort to make contact with him.

Thank you, thank you – good Doctor Oz
Here at NOW Foods we give you applause
For you helped sell our vitamins for a diet
Created demand to cause a near riot

We love how you talk – no need to veto
Relora, Carnosine and 7-Keto
CLA, Red Algae and Rice Bran Oil
Selling these products we no longer toil

We owe you great thanks for teaching the masses
About healthy products, yes this surpasses
We'd like to send samples of these and more
Products found at the local health food store

We'd like for NOW to be of those you call friends
We'll share research, data, products and trends
Feel free to visit, call or e-mail
We'd jump through hoops for you, this we avail

ANOTHER KIND OF TIDAL WAVE

March 11, 2011 was a very bad day in Japan. A record 9.0 earthquake rocked the Pacific Ocean and caused a massive tsunami to hit Japan's east coast. Over 15,000 people died, 100,000+ were made homeless and over 100,000 buildings were destroyed. People all over the earth gasped in shock and horror at the damage that was inflicted on that island nation. An additional problem soon erupted when, as a result of the tsunami, a major nuclear plant suffered a meltdown and released radioactive poisons. Soon, trace amounts of radiation were detected throughout the entire planet and people everywhere became concerned about their own health and radiation poisoning.

Almost immediately customers started calling NOW and asking for Kelp (natural source of iodine) and Potassium Iodide, which is often used during radiation poisoning. While we sold out of Kelp quickly, we determined to supply as much Potassium Iodide as possible. We had never produced or sold Potassium Iodide before, but with the emergency scare in full force, all departments at NOW worked together to quickly research, test, purchase, manufacture and bottle 75,000 bottles within just two weeks of the nuclear accident. This amazing effort helped soothe the worries of thousands of customers and was very rewarding to those who helped make this happen so quickly. Interestingly, an Amazon.com buyer called us during this time and said that Jeff Bezos, famed CEO of Amazon, wanted to quickly buy a lot of Potassium Iodide tablets and donate it to Japan. Price wasn't really a consideration, but we were unable to produce enough bottles fast enough and so we missed out on that opportunity.

EXPANSION IN NEVADA AGAIN

By December 2010, it became apparent that NOW would need to expand production facilities again in order to keep up with ongoing double-digit growth. This time we determined to expand our Sparks, Nevada distribution center to a large manufacturing and distribution plant. The decision to move away from our home in Illinois was fairly simple. We needed to diversify in case of a natural disaster or some other work stoppage. The state of Illinois is relatively unfriendly to businesses, in huge debt, and a recent 50% state tax increase was the final straw. Because NOW already had a second home in Nevada, it made sense to expand in that area and enjoy the benefits of location, climate, low taxes and friendly government.

NOW purchased land in Sparks and began to build a 165,000 sq. ft. building in 2011. By spring 2012, our distribution center relocated and construction continued for full-scale manufacturing and lab testing. In addition to producing tablets and capsules, the Sparks plant would be our first time to manufacture the softgel form of vitamins. It takes very sophisticated pharmaceutical equipment to make softgels, and it's quite interesting to watch. It also takes experienced technical people to run the lines. Compared to making dry capsules, softgels require some art as well as science and are much more difficult to master. NOW plans to add more softgel lines in future years, which will help our supply chain and overall quality control.



The Sparks plant mirrors our Illinois facility in many ways including labs. We duplicated most of our Illinois lab equipment and now operate two ultra-modern, full-scale laboratories. Combined, NOW has 24 HPTLCs (High Performance Thin Layer Chromatography) testing units, which is an incredibly large number. NOW also has four GCs (Gas Chromatography for fatty acid analysis), three ICPMS machines to test for minerals and heavy metals, two SOLERIS systems, one PPSO to test for irradiation and much more. Our labs conducted 16,000 separate analyses per month in

2013, while utilizing 100+ quality department employees, including 12 holding Ph.D. degrees. In 2011 NOW hired a key QC manager named Aaron Secrist, who had been a GMP auditor. He helped to raise the bar in our testing program, while sharpening our overall quality program. As a result of all of these quality efforts, NOW's formal FDA audit in 2012 ended with zero "observations", meaning that our production facility is fully compliant.

Due to the new plant and extra production needs, NOW added over 240 new full time jobs in 2012 alone. This meant that we had over 1,000 employees for the first time! This was a challenging number of employees to hire, train and absorb into our culture in a fairly short period. We also had developed a top-priority for employee safety, after having a period of unacceptable safety results. This started in 2007 when NOW's injury record was more than double the national average and management became very concerned. NOW engaged Milliken Consulting to help improve our safety record and eventually our DART (Days Away, Restricted or Transferred) measurement showed fairly dramatic improvement. Milliken taught the company how to involve employees and focus on avoiding injuries. Senior managers made employee safety the company's top priority and the emphasis filtered down to all employees. By 2012, NOW's injury record declined so that we became more than twice as safe as the average U.S. manufacturer.

PUTTING FOODS BACK INTO NOW FOODS

Although NOW began as a food company, we migrated to supplements over the years due to a variety of factors. By 2010, our non-Stevia food business was under 5% of our total sales and declining. NOW's board determined that food sales needed to be increased in order to act as a hedge against potential negative supplement legislation. A long-term goal of 25% food sales was set and we began investing in ways to enlarge our food business. One of the first things we did was to hire a dedicated food brand manager, Food Dave, who came from Whole Foods Market. He analyzed our strengths and weaknesses and helped to determine a plan of action to put the 'foods' back into NOW Foods! One obvious first step was to improve our packaging. It's amazing how much effect packaging has on sales, and NOW food products always had that generic look and feel to them. We changed the graphics, labeling and zip seal to be much more user-friendly. Below shows our before and after look:



Old packaging until 2012

New packaging 2013

A bigger change was that all of our foods would be divided into sub-categories, which would help highlight the different aspects of each food product. Below is how NOW foods are currently marketed:

NOW Real Food® – This is the majority of our existing food products and includes all of our staple flour, grain and nut products. Packaging is attractive, yet simple and clear. By 2013 every item in our food line is non-GMO and most new products are certified organic.

NOW Real Tea® - By the end of 2013 we had 20 great-tasting teas that we manufactured in tea bags. Dr. Oz had talked about Hibiscus Tea several times and this became our # 1 seller due to taste and nutrition benefit.

BetterStevia® – NOW's Stevia is actually better than every other brand of Stevia we've tasted. An outside flavor company told us the same since our Stevia is processed with enzymes to buffer the bitter aftertaste. It also helps that our Stevia is certified organic.

Living Now® – This is a new branding of gluten-free products now packaged in a certified gluten-free and allergen-free facility. Each year we'll be adding to this line to help supply healthy products to people who need to avoid common allergies.

Ellyndale Foods®– This is an entirely new food brand that features our finest gourmet food products. The name came from our main plant being on Glen Ellyn Road in Bloomingdale, and, hopefully, will become a household name.

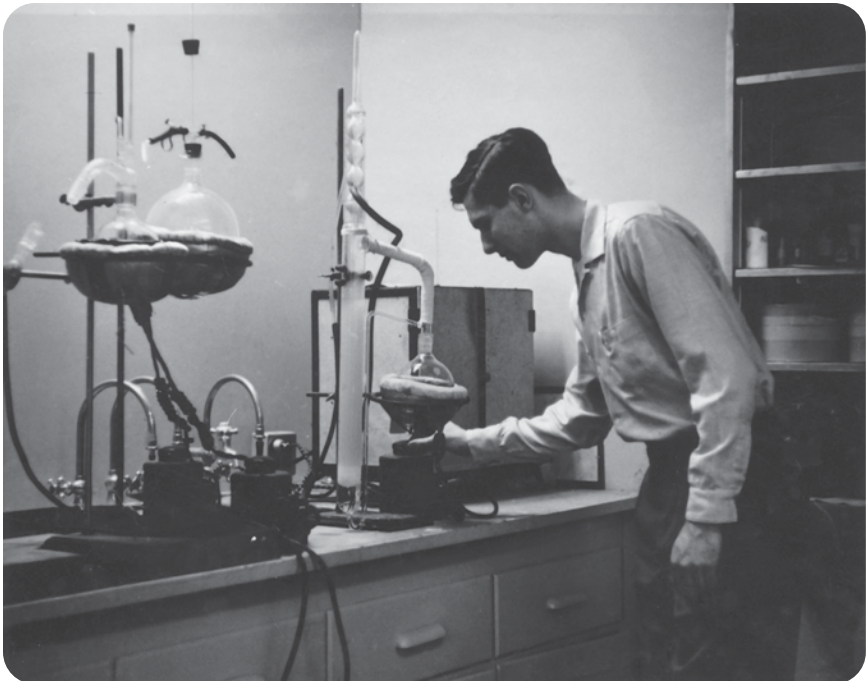
MERGERS AND ACQUISITIONS

In the good old days, family businesses easily and naturally passed from one generation to the next. If the father was a carpenter, then the sons would normally follow suit and inherit the family tools. If the father was a fisherman, then the chances were very good that the children would inherit the boat, tools and way of life as fishermen. However, today succession planning is one of the most difficult and, yet, critical aspects for businesses to be sustainable. The biggest challenge today is how parents of family businesses can cash out with the least amount of taxes applied at death, or in a sale. Within the U.S., this became much more problematic in 2013. Estate taxes leaped to a maximum of 55%, which can cripple most small businesses which try to pass to the next generation. The changes in our tax law, and other factors, have caused many natural food companies to change ownership as a way to survive. Below are some of the recent changes among brands found in natural food stores:

- In September 2009, Atrium Innovations purchased **Garden of Life**, which has become quite popular after launching in 2000.
- **Sprouts**, a natural foods supermarket chain that began in Phoenix, purchased the large Henry's chain in CA, Sun Harvest in TX and then Sunflower Markets in CO. By mid-2017 Sprouts had grown to have 270 stores and growing quickly.
- In February 2012 the pharmaceutical giant Pfizer bought **Alacer**, maker of Emergen-C packets and other products since 1972.

- In June 2012 **New Chapter** made news by selling itself to Proctor & Gamble. This was a major move for the industry as many observers feared that New Chapter would soon become a mass market brand.
- **Vitamin Cottage**, with 140+ stores in the Southwest, went public in mid-2012 in order to provide succession and capital to compete with other retailers with deeper pockets.
- **Super Supplements** retail chain, based in Seattle, sold to **Vitamin Shoppe** in early 2013 as part of major retailing consolidation. It won't be the last big retail deal, either.
- **Schiff** was a pioneering industry brand that started in 1936, but has now had several owners, gone public, and recently sold again to Reckitt Benckiser, a massive multinational British company.

While many firms make drastic ownership changes in order to survive, NOW has been richly blessed to have same-family ownership into our fourth generation. Thanks to foresight and selfless planning by Elwood Richard, NOW has been able to prepare for succession and survival of the family company. "A good person leaves an inheritance for their children's children, but a sinner's wealth is stored up for the righteous." (Proverbs 13:22) May the blessings we have received for 45 years continue, and allow for the next generation to continue with the ongoing mission established by Elwood: *"To provide value in products and services that empower people to lead healthier lives."*



Elwood working in the lab about 1960

***“Look! God’s dwelling place is now among the people....
He will wipe every tear from their eyes. There will be no more death’ or
mourning or crying or pain, for the old order of things has passed away.”
Revelation 21:3-4***

2014-2017

It’s strange how history tends to recall mostly bad news. In 2014, a new virus called Ebola erupted in West Africa and, with good reason, scared travelers worldwide. Starting in Ferguson, Missouri, “Black Lives Matter” became a national movement following video recordings of black men killed at the hands of white policemen. ISIS took control of parts of Syria and Iraq and ushered in a new era of violence and cruelty. Russia took advantage of regional unrest to seize Crimea in Ukraine and annexed the territory, stunning the western world. Finally, the ALS ice bucket challenge swept the nation as millions raised awareness and participated in this charity.

2014 was a year of major change at NOW. A new CEO, new CFO, new COO and new Chairman of the Board were significant changes for a family business used to longevity and continuity. Our CEO, Al Powers, retired and was replaced by Jim Emme, former COO. Al continued to work as a company ambassador to the industry, working part-time for the Natural Products Association and Vitamin Angels especially. Several senior managers were let go for various reasons and Elwood Richard, our founder, stepped down from his position as board chairman. One would think that business would suffer from so many changes, but actually sales and profits continued to grow. From 2011-2016 NOW’s total sales increased double-digits every year, and profits exceeded expectations.

AN INTERESTING AWARD

On December 3, 2014, the website selfstorage.com ranked the top twelve power suburbs in the country. What is a “power” suburb is anyone’s guess! Ratings were based on population size, per-capita income, unemployment rate and poverty level compared to the same info from 2010. We’re still not at all sure why, but our home city of Bloomingdale, Illinois was chosen as #10 on the nationwide list. It helps that NOW is the largest employer in Bloomingdale and we have received repeated awards for employee care. Here’s what the site noted, happily and surprisingly, highlighting our company:

“Not quite 30 miles west of Chicago, Bloomingdale scored especially well in two categories: the reduction in poverty and unemployment. NOW Foods, a major manufacturer of products for health food stores, is based in Bloomingdale.” (<http://moving.selfstorage.com/top-suburbs-in-us>)

In April 2017, NOW received a new employee award from the *Daily Herald Business Ledger* and five other Illinois business groups. NOW was named as one of only 21 large Illinois businesses for the 2017 “Best Places to Work in Illinois” award. More info is at www.bestplacestoworkinil.com. This was on top of NOW earning a fourth consecutive national award as “Best and Brightest Companies to Work For” from the National Association for Business Resources (NABR) in 2016. We also won our tenth consecutive award as one of the “101 Best and Brightest Companies to Work For” in the Chicago area. Amazing and humbling actually. We do try to live by the good book when it says

“Do not take advantage of a hired worker who is poor and needy, whether that worker is a fellow Israelite or a foreigner residing in one of your towns.” (Deuteronomy 24:14)

SNEAK ATTACK

Business is always evolving, but it's hard to prepare for unreasonable government actions. On February 3, 2015, the New York Attorney General Eric Schneiderman inflicted serious damage to the natural products industry, and four large firms in particular. GNC, Walmart, Walgreens and Target were caught by surprise when Schneiderman declared that a new and unknown testing method, DNA barcoding, is the new standard for testing herbs. He put out a media blitz featuring 390 total tests by a barcoding expert, which showed most herb products by these four retailers failed to either contain the herb listed on the label, or included undeclared contaminants. Schneiderman basically went to war with the natural products industry.

Very public cease-and-desist letters were sent to these large retailers demanding that they stop selling their house brands of Echinacea, Ginseng, St. John's Wort and other herbs. The Attorney General claimed that 79% of products failed testing and major news media picked up and ran with the story. Schneiderman did a marvelous job marketing how *“Mislabelled Consumer Products Pose Unacceptable Health Hazards”*. He cited support from a New York State Senator, a New York State Assembly Member, a Senior Nutritionist at the Center for Science in the Public Interest and a Professor of Pharmacological Sciences at Stony Brook University. Initially, the attack looked like a scientific slam-dunk win for consumers, and Mr. Schneiderman in particular.

As the industry prepared to defend itself, DNA barcoding experts came forward to shed new light on the subject. It turns out that DNA fingerprinting (barcoding) definitely helps to identify the right herbal species being tested, but it has very limited use for herbal extracts. The DNA test is just too new to work for extracts, and those were the products tested by the Attorney General. FDA itself issued a statement noting that the agency neither uses nor requires DNA barcoding and considered it not yet validated for herbal testing. It also came to light that Mr. Schneiderman's chief DNA barcoding expert, Dr. James A. Shulte of Clarkson University, is not really an expert at all. Dr. Schulte has a background in evolutionary biology and reptilian zoology, but is not considered an expert in botany, pharmacognosy, or natural product chemistry. Finally, the Attorney General, himself, has come under the microscope for his true intentions with this unscientific attack. Various media questioned his methods for gaining public exposure for this and other investigations, and whether his real intentions are more political in nature.

Regardless, companies such as GNC suffered financially from this witch hunt. GNC, alone, experienced significant sales declines in the herbal category and overall from lack of consumer confidence in supplements. GNC's share price fell dramatically from \$48 in February 2015 to only \$7 just over two years later! A black cloud affected the entire industry and lawyers lined up like sharks with new lawsuits. At NOW, we were only glad to be spared the direct negative exposure that hit GNC, as the entire affair seemed wrongly intentioned, unfair and untrue.

ESSENTIAL OIL DIFFUSERS

In 2013, NOW introduced our first ultrasonic essential oil diffuser. Our essential oil category had grown about 40% every year in recent years and customers began asking for a diffuser to help use the oils. Little did we know how big the market is! Initially NOW introduced one diffuser in 2013 and sales reached \$600,000 in only four months. Not bad at all, and well above expectations. In 2014, NOW sold two different diffusers and sales leaped to be about \$6 million. In 2015, with five diffusers available, NOW sold \$16 million in this new craze. How did this happen so suddenly? And could this growth continue?

It turns out that multi-level marketers helped create and drive new markets and big sales. NOW first started selling essential oils in 1990, but sales really took off when the Young Living company became a significant seller. Young Living focused entirely on promoting essential oils and claiming that their very expensive oils were the “best essential oils on the planet”. What else could they say given their seriously high prices! Young Living was the first big marketer to reach millions of consumers through a vast “distributor” network of consumers. Their pyramid-shaped commission structure tends to drive sales growth, but also forces high prices. In any event, the entire market boomed as people discovered how amazing and helpful essential oils can be.



Another MLM brand, dōTERRA, branched off from Young Living and started selling essential oils in 2008. In just two years, the company sold \$100 Million and reportedly reached \$1 Billion by 2017. Amazing growth, truly stunning. dōTERRA invented slick marketing terms like “therapeutic grade” essential oils to make it appear to be selling higher quality products, but NOW’s comparative testing showed no differences in competing products. MLM brands often grow fastest by making claims that most brands know are illegal. dōTERRA received a warning letter from FDA in September, 2014 for marketing its products as possible treatments for cancer, Ebola and autism. In 2017, NOW essential oils continued growing to be the # 1 selling brand in the natural store channel, while diffusers began declining due to new competitors and mass markets.

RUMORS OF DEMISE...

The independent health food store has declined for years. Mass grocery, drug and chains like Walmart, Target, Walgreens and CVS gradually took the lion’s share of vitamin business. The good old days of health food stores selling a high percent of vitamins in their market is long gone. GNC recognized this shift in 1998 and started opening over 2,000 stores within Rite Aid drugstores. NBJ (Nutrition Business Journal) reported in 2016 that 58% of the entire nutrition industry is now sold in mass markets. Costco stated in 2017 that it is the largest seller in the world of organic foods. And then there is Amazon. Who would have guessed that Amazon would exceed Google for product searches? Or that 36% of all Black Friday sales would be on Amazon? Or that Amazon is raking in more than 50% of all online sales growth! Independent health food stores would seem likely to follow the death of independent pharmacies and independent book stores. Except not really.

The *percentage* of vitamins and organic foods in independents has definitely declined as consumers have found more availability of natural products in their traditional grocery store, chain drug store or Walmart. Independents have also faced fierce competition from natural food chains such as Whole Foods, Vitamin Shoppe, GNC, Sprouts, Natural Grocers, Earth Fare and Fresh Thyme. These massive chains have collectively opened about one new store per day in recent years, putting the squeeze on the local independent store. To be sure, the number of independents have declined in recent years, but the survivors are stronger, smarter, more flexible, and better suited for long-term survival.

It helps that organic foods, natural supplements, sports and personal care products – the natural foods industry – has grown consistently for decades. Compared to other industries that squeak out 2% growth per year, the natural foods industry has been extremely blessed. Especially within the USA. NOW's percentage of sales to small, independent health food stores has declined significantly over the years, but our dollars sold to independents continues to climb. That's because the strong survivors have adapted and many of them are doing "brick & click" combo retailing. It's not easy for independents, and they need your support now more than ever, but many stores are doing quite well by providing a great combination of excellent service, superior quality, healthy products and good prices.

A REFUGE FOR REFUGEES

In 2017, NOW is home to just over 1,400 employees. Most of these workers are long-term employees who come from areas near our facilities, or who are drawn to our type of business. Having decent jobs to support a large family is life-changing for refugees, or anyone else for that matter. It has been a wonderful privilege to see the successes of former refugees, who develop into upstanding citizens and lead safe, healthy and fulfilling lives.

While Americans have struggled with the issue of refugees and security, Canadians have largely taken a different approach. Canadians have historically been more welcoming to immigrants and refugees, based upon the number of people Canada accepts relative to the total population. The country also has a private sponsorship program that allows private citizens to bring in refugees if they pay for their expenses. In 2016, NOW's Chairman of the Board was Jim Estill, CEO of Darby Appliances in Guelph, Ontario. Jim became wealthy as CEO of EMJ Data Systems and SYNEX, while serving on various boards. As a result of the humanitarian crisis in Syria, Jim determined to put up \$1.5 million of his own money to rescue more than 200 Syrian refugees. He organized a support system in his area that provided job and language training, healthcare, housing and all personal expenses for their first year in Canada. This made the news across the globe and is a wonderful example of a practical way to help strangers. As the good book says, "Do not neglect to show hospitality to strangers, for by this some have entertained angels without knowing it."

PIRACY

In 2017, NOW's international team developed significant business selling essential oils to Saudi Arabia. This was a nice surprise as we had never sold to the oil kingdom and had always been limited by regulations, labeling and the high cost of doing business. One day our partners there discovered pirated products that NOW doesn't even sell. They found

five different NOW Solutions bar soaps, even though NOW does not sell bar soaps. Our logo, brand identity, labeling and images were perfect copies of our carrier oils, but the products were totally bogus. I suppose this is the price of success. Someone sees something that they like and simply decides to take what they want. Unfortunately for NOW, everyone in the world does not abide by “Thou shalt not steal.” NOW was forced, again, to defend itself legally and call in the lawyers to address this trademark infringement.



DEATH OF OUR FOUNDER

Elwood Richard was our founder and patriarch. Unfortunately, Dad died April 7, 2017 and this was an emotional drain on the entire family and business. He was 85 years old and lived an incredible life. Elwood developed mesothelioma, a form of lung cancer that develops from asbestos exposure and is too well known today. He researched this condition and knew that this cancer would be terminal. After discussing conventional treatments, he started regular vitamin C injections of 50 grams and this seemed to help significantly. In his last year, Elwood wrote the following public article as advice to others, entitled: **Malignant Pleural Mesothelioma: My Personal Story and the Marlboro Men.**

Recently I have been diagnosed with mesothelioma, a disease caused by exposure to asbestos. My only exposure was 60 years ago when I used asbestos to insulate a lab furnace. I can't remember if I was warned to use a mask when working with asbestos, but did not. Mesothelioma has hampered my activities to where at the start of my treatments I was only able to walk 100 yards at a time. With a lot of time to think about why this happened to me, I thought of the Marlboro Men. Like me, they made choices with serious health consequences. I also thought about other health choices that we all need to consider.

Marlboro Men were rugged cowboy types who appeared in ads smoking Marlboros. At least four of those who appeared as Marlboro Men died of smoking-related diseases such as lung cancer and emphysema. Several relented of their association with Marlboro and became involved in anti-smoking campaigns. More information about them can be found by googling “Marlboro Man” and “Death in the West” — a 1976 documentary about the ailments in Marlboro Men.

Critics may wonder why the Marlboro Men were not aware of the association between smoking and lung cancer. After all, since 1953 the UK had required warning labels on cigarettes sold there. And certainly by 1964 when the Surgeon General declared that smoking increased the risk of lung cancer, this should have ended the discussion. However, the majority of Americans did not really believe this.....Don't dismiss possible threats to health that are life-threatening. Hoping this will lead to better health for you.

It is impossible to acknowledge what our founder meant to NOW. He was everything – literally – and then some. Elwood started NOW as a simple idea and a small dream. He worked tirelessly for almost 50 years, always generating left-field ideas, experimenting in business as if it was one big laboratory. And Elwood was always a true scientist at heart. He loved to work in the lab and find out what was new. He was always critical about what we could be doing better, whether in our labs or in sales or in production. Elwood Richard was truly one of a kind and we miss him dearly.

50 YEAR CELEBRATION

2018 is NOW's 50th golden anniversary and a significant achievement. There aren't many independent American family businesses that survive successfully for 50 years. Our industry is littered with family businesses from the past who couldn't do what NOW has done. Virtually every large natural vitamin company or organic food brand is owned by a different corporation than the family who started it. Business just isn't that easy, which is why we count our blessings every day.

We had fun brainstorming big ideas for how we could celebrate 50 years and make a big splash. Our marketing team came up with a variety of ideas and our board of directors came through by agreeing to provide \$5 million in total funding! This is really amazing considering our history and struggles. Our board directed that these funds go towards four different areas: 1) NOW's charitable donations were up to about \$2 million in 2017 and we planned to increase this to \$3 million in 2018. 2) NOW will do some significant bonuses and gifts for employees. 3) NOW will provide extra marketing and discounts for health food store customers. 4) NOW will spend close to \$2 million for consumer promotions and events – all extraordinary budget plans.

One big idea we had would be to spend roughly the full amount on a 30 second Super Bowl commercial. That would be as big of a splash as possible, but we decided pretty quickly that we didn't want to put all of our eggs into one basket. We also could triple our normal advertising, but that wouldn't be much fun and likely wouldn't generate the kind of excitement, or higher sales, that we were aiming for. We did come up with a lot of great ideas and here's a couple that, God willing, will reach customers in 2018.

Who doesn't remember and love Willy Wonka? Remember the golden tickets and what a craze that started? One idea we had was to market various significant prizes within our products and promote this on packaging and social media. Think \$10,000 would get much attention? We did and looked into the legal rules for giving away prizes within our products. You've probably seen "No purchase necessary" signs by other brands for similar contests or sweepstakes. "No purchase necessary". Why? For some illogical reason, the U.S. does not make it easy for companies to give away prizes when a purchase is required. Does that make sense? Why does our government have rules for how to give away something for free after a purchase?

Another interesting idea was to promote independent, positive videos about NOW on YouTube. We discussed ways to engage consumers in a contest to get the most views on individual videos about our products. Again, the company could give substantial marketing rewards for videos that go viral with anything good about NOW! The company would need some approval process in order to avoid legal or safety concerns, while making sure the message is truly positive. What fun! What a great way to celebrate a rare golden business anniversary! What a way to ride off into the sunset. *"Consecrate the fiftieth year and proclaim liberty throughout the land to all its inhabitants. It shall be a jubilee for you."* (Leviticus 25:10)

***“So then neither the one who plants nor the one who waters is anything, but God who causes the growth. Now he who plants and he who waters are one; but each will receive his own reward according to his own labor.”
1 Corinthians 3:7-8***

2018-2020

Just a few years seems like an eternity. While school shootings and hurricanes captured many headlines in 2018, nothing could compare with the world's dramatic changes that took place in 2020. No one could have imagined the effects that the coronavirus Covid-19 would have on the entire world. No nation was spared from the health crisis, nor the financial costs. People everywhere changed how they shop, when and where they travel, how they worked from home, how they social distanced and how life will never be the same. Amid the pandemic, NOW's 50th Anniversary capped a half-century of struggles, survival and success.

Life was good for NOW as 2018 began. The company had averaged 15% annual sales growth in the prior seven years and was well positioned to continue. Despite political concerns about tariffs from China, sales and profits kept increasing. We continued to win annual awards for employee care and continued to emphasize quality and safety as unbending top priorities. One family member left the family business and several more joined to get started. Change remained constant, either from new products, new equipment, new sub-brands, acquisitions and some big deals. For better or worse, NOW was beginning to feel and act much more like a big business.

WALMART COMES TO VISIT

In October 2018, NOW welcomed a special visit to our plant by eight executives from Walmart. We had been in discussions to sell some private label products, thanks to Bill Scaife, our broker, who used to work for Nature's Way. He was connected with Walmart buyers and helped with arrangements and introductions. We were quite surprised and impressed when their team flew in for the day in their private jet just for this meeting! We learned that Walmart's quality standards were higher than we expected and they were in process to remove objectionable ingredients such as magnesium stearate, artificial colors like titanium dioxide, tri-calcium phosphate and more from their Spring Valley private brand. Walmart also requires specific lab testing for potency, micro, heavy metals, disintegration, traceability and other things such as testing methods.

During our discussions, it became apparent that Walmart was also interested in buying some NOW brand products. Until this time, our NOW brand was always exclusively sold to natural food stores and prohibited from mass stores like Walmart. But the marketplace had become complicated as NOW sold to some store-within-a-stores such as HEB in Texas and Hy-Vee stores in Iowa. Also, Amazon moved mountains by becoming the world's biggest open market, and NOW had been selling direct to Amazon for nearly a decade.

So what's the difference between selling our brand to Amazon vs. Walmart? NOW brand was already widely sold on Walmart.com, even though that was not our intent. Well, for decades NOW had declared that our products were exclusive to the natural health food store channel and we had good reason for that 'line in the sand.' This caused internal debate about whether NOW should allow our brand to be sold in Walmart, including among our board of directors. Eventually, we decided to take baby steps and try limited skus, with differentiation such as custom sizes, to avoid direct comparisons with our independent customers. Two years later, mass sales like this remain well under 1% of NOW sales and we still prefer dealing direct with small store owners who are educated and passionate about natural products.

JIM EMME HEADS TO DC

In 2018, U.S. President Donald Trump called out China for unfair trade practices and intellectual property theft. A trade war began and both countries imposed tariffs ranging from 5-25% on each other. The U.S. imposed three separate tariffs in 2018 and another in 2019, affecting over \$500 Billion of goods per year. China responded with its own tariffs at over \$100 Billion per year and cut significant food imports from the U.S. The two global superpowers continued to publicly negotiate while the rest of the world anxiously watched and waited for a resolution to the problem.

Our company had a big interest in avoiding tariffs and keeping worldwide trade open. NOW exports to China are significant, and our purchases from there are critical. Products such as vitamin C and many other vitamins are made almost 100% in China alone. Every brand sources Vitamin C and most B-vitamins from China, since that is the only viable source worldwide. So when our CEO, Jim Emme, was invited by our trade group, Natural Products Association (NPA), to go to Washington regarding tariffs, he went without question.

Jim soon found himself regularly attending phone meetings and in-person meetings in Washington as part of an industry-tariff group. Some meetings included lower-level staffers, but other meetings included the very top levels of our government. One meeting from November 20, 2019 included three House Representatives and five Senators including two former presidential candidates, Rand Paul and Mitt Romney. Those are some serious movers and shakers and Jim found these meetings to be helpful to keep our natural products with as few tariffs as possible. At one phone meeting, President Trump himself joined briefly and Jim was quite surprised to be an insider at a meeting with such dignitaries!



Above Senator & former Presidential candidate Mitt Romney. Right photo is Senator Rand Paul with Jim Emme in both meetings in 2019.



TROUBLE FOR RETAILERS

As Amazon has grown over the years, many retail chains went out of business, unable to compete in the new retail world. Chains such as Toys-R-Us, Blockbuster Video, Borders Bookstores, Sports Authority and Radio Shack were mostly replaced by web suppliers who could deliver larger varieties at lower costs, and at amazing speeds. Other chains went bankrupt, but managed to stay afloat at least for the time being. This was the retail world before Covid-19, which knocked many retailers out of business for good.

Until 2020, the larger natural food chains were mostly immune to this type of trouble. Retailers such as Whole Foods Market, Sprouts, Natural Grocers and Fresh Thyme continued to grow and take market share from independents. Then over-expansion, debt and failing profits moved in to really affect these organic grocers. In early 2020, three major natural chains fell hard and fast. Fairway was a successful New York chain with 15 volume stores and over \$600 Million in sales, but too much debt forced it to go Chapter 11 in May 2016 and again in January 2020. Earth Fare, based in Asheville NC, had 50 stores at its peak, but, suddenly and without notice, closed all stores in January 2020. Some stores did re-open under the same name, but it's hard for a retailer to overcome the stigma of being bankrupt. Then Lucky's Market announced it would close 32 stores and keep seven open with a different ownership group. Lucky's had been partners with Kroger to grow stores, but that marriage fell apart after too many losses and Lucky was also forced to declare bankruptcy in January 2020. What a bad month for the natural foods channel!



The biggest chain to fall was GNC, which declared bankruptcy in June 2020. GNC's first store opened in 1935 and it grew to become the dominant vitamin retailer with over 8,000 stores worldwide. But many stores were located in losing mall locations with high rents, causing GNC to sell 40% of shares to the Chinese Harbin Pharmaceutical Group in 2018. Covid-19 was the final knock-out blow as GNC couldn't weather the storm that no one could have predicted. The retailer may come out of bankruptcy leaner and stronger, but only time will tell. The most obvious lesson from almost all failing businesses is to stay out of debt. Investor money must look irresistible up front, but it's a common theme and biblical directive to avoid debt. *"If you have nothing with which to pay, even your bed will be taken from under you!" (Proverbs 22:27)*

NOW TESTS AMAZON-ONLY BRANDS

Generic brands are winning on Amazon and it's not always good. In our industry, we started noticing many vitamin brands that we had never heard of landing in top-spot search locations on Amazon. Many pseudo-brands launched "Sponsored" products, which are paid advertisements. These new marketers understood how to win on Amazon, with slick claims, paid search terms and optimized content. They are able to gain a profit despite amazingly low, actually too low, prices.

I suspected fraud when I noticed the expensive supplements seemed too good to be true. I found a number of brand-less products offerings of CoQ10 400mg potency in dry capsule form and knew that high-speed machines could not run this potency due to how sticky the ingredient is. These brand names were also foreign to me, so that was a second red flag. The third red flag were the prices, which were too-low-to-be-legit. So with a lab full of testing equipment, we decided to purchase a number of questionable products and assay these to find out.

Our first round of testing was completed in August 2017 and we found products as low as 30% in potency, some with excessive heavy metals and others with high microbial contamination. This was shocking, but not surprising at all. We reported the results to our Amazon buyer and tried to contact the brands directly, though this proved hard to do. We followed up with another round of testing in March 2018 and found that 7 out of 9 CoQ10 no-name brands failed potency tests. Some were close to label claim, two were above label claim (200 mg) and four brands had less than 30% of labeled potency. Clearly 'buyer beware' was appropriate for these unknown brands.

Later in 2018, we also tested a round of acetyl-L-carnitine and lavender oil brands, because we could guess through pricing that brands were cheating. We found about what we expected, and again reported all results to Amazon directly in hopes that it would take action to stop brands that mislabel or misrepresent natural products. On February 28, 2020, we conducted another round of CoQ10 testing and this time found five out of ten brands had potencies under 20% of label claims and every brand tested was below label potency. Two brands actually contained less than 1% of label claim! We decided to send our complete data to industry trade groups and the FDA directly, but still could not get the attention this deserved. We finally went public to various trade magazines and found several willing to report on this "exposé" using our data. You can find these results if you search online for articles in May 2020.

Although some of our family owners thought this was reckless and an invitation to be sued, we went public with all of our info because cheaters don't deserve to prosper. Low-potency, mislabeled vitamins harm everyone, including legit brands like NOW. As an industry leader, we also have a responsibility to help keep our industry clean and legal. While researching these brands, we stumbled on to a class action lawsuit (www.truthinadvertising.org) against most of these same brands for the product SAME. Apparently it was becoming known that some new brands on Amazon were cheating, and lawyers were starting to become interested. So we decided to test these same brands of SAME ourselves, assuming, again, that foul play was involved.

On March 10, 2020, NOW reported that ten different brands of SAME tested at very low potencies and two actually contained zero SAME. This is an expensive product, which people pay \$30 or more per bottle. It's also an important supplement that people buy for a real benefit. How sad is it that some business people with no integrity can cheat and get rich quick? How sad that it is so easy to get away with too? And how sad that this continues long after we made our results public and shared the info with the FDA.

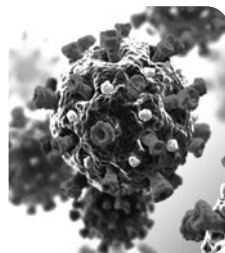
In July, 2020, we decided to test a new round of unknown brands on Amazon for the brain supplement phosphatidyl serine. This time we bought three bottles of each and did three different tests on each brand, two by our labs and one by an independent lab. We initially found that many products seemed to be intentionally mislabeled by implying higher potencies on the front of the label, but on the side stating “per 2 capsule serving size”. Next, we found confusing labeling within the Supplements Facts panel, in order to deceive and yet defend against potency testing. Some brands also claimed to be 60-90% lower priced, per gram, than NOW brand on Amazon, so we were certainly suspicious from the beginning.

We tested 40 samples in total and found 42% of no-name brands contained less than 10% of label claim! That’s shocking and sad. Yes, less than 10% potency and yet still widely sold on Amazon. 90% of these samples contained less than 85% of label claim and only two of these brands passed 100% label potency test. Once again, NOW shared these assay results with Amazon, the FDA, supplement trade group NPA, and the media to try to force changes and shut down these cheating brands.

Meanwhile, what should a consumer do who doesn’t have resources to test potencies like NOW does? My recommendation is “buyer beware” and avoid unknown brands of supplements that you don’t find in natural food stores.

COVID-19 CHANGES THE WORLD!

On Dec 31, 2019, China reported to the World Health Organization (WHO) a cluster of pneumonia cases in Wuhan and this was later termed the novel coronavirus. The WHO named this new virus ‘Covid-19’ because it is genetically related to the deadly SARS virus from 2003. The WHO next declared on March 11, 2020 that this new problem is a worldwide pandemic, a term rarely used. It was last used, and overused, in 2009 regarding the H1N1 swine flu, which proved to be not as deadly as the WHO predicted. Within this context, many world governments were intentionally slow to aggressively take action, assuming that this virus would just go away soon enough on its own.



The natural foods industry had a seismic shock on March 2, 2020 when the Natural Foods Expo West show cancelled just two days before it was to start. This convention in Anaheim was typically a gigantic event with about 80,000 attendees, including many from overseas. People were in shock that our business lives could be so unsettled, and so quickly. This was before virtually anyone in the U.S. wore a face mask or even limited their travel. Boy did we underestimate the changes that would come!

A few days later we learned that our business would be one of the main beneficiaries from this epidemic. Monday March 9, 2020, started a dramatic shock in demand that we could not handle. Demand for that week more than tripled, with many products like zinc, vitamin C and elderberry selling up to a year’s supply in one week. What happened in such a short period of time to cause so much change? On March 1, 2020 there were less than 100 total cases of Covid-19 in the U.S. On March 9, the U.S. reported over 700 cases and 26 deaths. America was changing by the hour and there was no end in sight. When the NBA suspended the basketball season on March 11, everyone knew that life was not about to be normal anytime soon.

One of NOW's senior scientists, Dr. Rick Sharpee, proved to be very valuable because of his past experience with coronavirus. Rick had written his thesis decades earlier at the University of Nebraska as part of his discovery of coronavirus in cattle. He had also published an article in the medical journal *Lancet* predicting coronaviruses in people. Unfortunately, his predictions proved to be true and Rick shared his extensive knowledge with NOW customers on February 19, 2020.

By the end of October, eight million people in the U.S. had the virus and over 200,000 died. Worldwide the numbers were much worse, and still accelerating. Who could have guessed that global commerce, healthcare, daily work, travel and personal habits could change so much, and so soon? Who could have guessed that every customer at the local Walmart would be required to wear a face mask and keep proper six-foot social distancing? Who could have predicted that most office workers would change to work remotely at home or that churches would only offer online services? The effects on national debts are staggering, but the loss of lives is even more irreplaceable.

Like many "essential" businesses, NOW struggled mightily to meet the new demand. We asked our employees to work overtime and even had office workers on the line in both production and shipping. We outsourced nearly two billion caps and tabs to approved vendors to help make more needed supplies. We hired as many new workers as possible. We changed our production plans to make long runs of "immune-related" products, but soon found that we had hundreds of products with crazy demand. Customers started making more homemade sanitizers, so our pure almond oil and vegetable glycerin leaped in sales. For whatever reason, our dried milk powder went up about ten times normal amounts. America was on a buying binge of toilet paper, hand sanitizers, hand soap, thermometers, baking goods and home office equipment. Customers also wanted any kind of product that might increase their immune system.

It feels bad to celebrate our growing successes while so many people were laid off from work and struggling to make ends meet. But part of our company's mission is to help people to live healthier lives, and this was a time when our products could really make a difference. Some product demands were incredible. Amazon placed a single order for over 100,000 bottles of N-Acetyl-L-Cysteine tabs and we were not remotely capable of making so much product with so little notice. We didn't anticipate at all that this particular product would be in such demand. As different supply countries shut down, we found it difficult to source products from India, China and elsewhere for months. Our maple syrup vendor even ran out of supplies and had to scramble. Our total demand basically doubled overnight and stayed that way.

For sales and profits, these were the best of times at NOW. For service, supply, stress and fill rate it was a disaster. Our corporate goal is usually to ship 96% of what customers order and most of 2020 ended up closer to only 60%. Even though we managed to manufacture 40% more goods than in 2019, we still could not catch up to the insatiable customer demand. We did make longer-term plans to increase production units, but not in time for the 2020 Covid-19 gold rush. No one knows how long this will last, or what to expect in 2021 and the future. The folks at NOW aim to continue supplying as many health products as possible, and at our usual great values.

BIG & BIGGER

Crain's Chicago Business published an interesting list of "Chicago's Largest Privately Held Companies" on April 20, 2020. Each company submitted 2019 sales numbers, which are generally private and not well known. Some top well-known brands in Illinois included Aldi in Batavia, Ace Hardware in Oak Brook, Jewel-Osco in Itasca, and True Value Hardware in Chicago. 353 companies were highlighted, with information on each including sales, sales growth in 2019, number of employees and type of business. Imagine our surprise to find NOW at # 106, especially since this was the first time we had ever provided our sales data. We still like to think of ourselves as a small, Mid-west supplier, but the numbers say otherwise. NOW reported sales in 2019 at \$634 Million and 11% sales growth.

The real shocker is how NOW compared to more famous companies that are smaller in sales. The Chicago Cubs baseball team listed sales at \$471 Million and 4% growth. The Chicago Bears football team reported \$453 Million, the Chicago Bulls basketball team \$301 Million and the Chicago White Sox baseball team \$285 Million. NOW not only was revealed to be much larger than all of these famous sports brands, but our sales growth rate doubled the best of these. To top it off, NOW's sales were more than the Bulls and White Sox combined, which is really eye-opening. While we are excited by these numbers, we also remember many warnings about pride, including *"When pride comes, then comes disgrace, but with humility comes wisdom."* (Proverbs 11:2)

FAMILY EXPANSION

By the end of 2020, a number of 4th generation family members started working at NOW or Fruitful Yield stores. This is a direct result of Elwood Richard's legacy of encouraging family members to work in the family business. He thought it would be a good way to keep kids busy, and what better place to work than the family business. This has worked very well, similar to an internship, as a way for our young people to learn how to be productive. Our Family Council helped to set up hiring rules, which guides fairness issues in hiring and promotions. Young family shareholders are offered temporary jobs during school years and are basically treated the same as other workers. We've been happy to include Sarah, Maddy, Gina, Michelle, Nolan, Max, Sam, Tim and Faith with part-time work. We also have a professional route for those who intend to make working at NOW their long-term career. In 2020, Adam and Nathan both started full-time work at NOW after working part-time for several years. Below is a picture of shareholders at a meeting in 2019.



NOW ARENA!

There is an 11,000 seat arena in Hoffman Estates near NOW's Illinois facilities that opened in 2006. Sears corporate offices were located nearby and bought the naming rights for this venue to be called "Sears Centre." In 2018, Sears declared bankruptcy and we had the vision of taking over the naming rights of this building. I contacted the Village and pursued this as a project because it was more and more obvious that Sears would not be around that long to keep their name on the building. In 2019 and 2020, Sears continued to decline and the Village began warming up to NOW as a viable naming partner.



We began seriously negotiating in early 2020 and received Village legal approval at a public meeting on June 23, 2020. The deal was very agreeable and the Village never even sought out competitive bids for naming rights. NOW paid a fair price for up to 15 years to have our brand name all over this building. Our employees will certainly benefit by getting free tickets to many types of entertainment. We hope that this deal will be a 'win-win' partnership, but of course this all happened in the middle of Covid-19 when no one was attending any big group events. The Arena has hosted about 500,000 people per year to all kinds of sporting events, entertainment, motivational speakers and graduation ceremonies. What happens in the future is still unknown, but our long-term business plans include the NOW Arena and we think this public notoriety will be good for our brand. *"Let this be written for a future generation, that a people not yet created may praise the Lord."* (Psalm 102:18)



POEMS

BY ELWOOD RICHARD

The poems on the following pages were written by Elwood Richard, the founder of NOW Foods. Many of these poems are based on familiar children's nursery rhymes. They are meant to be humorous, but at the same time are intended to illustrate a point about health.

Elwood officially retired as president of NOW at the beginning of 2005, but he was still highly involved in the industry and NOW. El's passion continued to be health and he lived an active life while carefully watching his diet. He had more time to travel with his wife, Betty, and be involved with his five grandchildren.

El hopes you enjoy the poems and keep in mind the good-natured fun he intended.



Elwood Richard 2003

TV advertising affects all of us, but hopefully we can put it into a rational context. It doesn't pay to advertise wholesome, unprocessed, low cost foods as the margins are too low. It is the junk food with sweet treats, salty snacks, and fluffed up cereals with a special prize in the box that have enough margin to carry the cost of advertising.

Generally we know what is involved in a good diet, but we are drawn into the idea that somehow we are missing out on something wonderful and absolutely necessary in order to have a full life. A few, like Mary in this poem, will listen to good advice for their health.

MARY, MARY, NOT QUITE CONTRARY

Mary, Mary, quite contrary,
Why use those junk foods so?
With fries and pies that supersize
And greasy things all in a row?

Then said Mary, quite contrary,
"I saw their ads on TV.
I'd have no fun 'til I'd begun
The junk foods that they made for me."

But Mary, Mary, quite contrary,
You've got things in reverse.
What fun is there when you compare
Your health when it's very much worse?

And Mary, Mary, quite contrary,
Junk foods will make you sad.
For they create such excess weight
You'll rue every bite that you've had.

Mary, Mary, not contrary,
Went to her health food store.
She bought the things that Nature brings
And now she has good health galore.

For many years our former IT director had smoked three packs of cigarettes a day. His family, including his little girl, saw an anti-smoking message on TV in which a little girl asked this question of her father. Later his own little girl got in his lap and asked him the same question. He told her he was quitting and wasn't going to die. He threw out all his cigarettes and has never smoked since.

DADDY WHEN YOU GONNA DIE?

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A smoking message on TV
Had a small girl on her dad's knee.
This little girl 'bout three feet high
Asked, "Daddy, when you gonna die?"

And later on in that same day
My own girl came, I thought to play,
Sat on my knee, asked with a sigh,
"Oh Daddy, when you gonna die?"

I only could look helplessly
When my small girl looked up at me.
I couldn't think of a reply
To "Daddy, when you gonna die?"

I started back when in high school.
We thought "safe-to smoke" the rule.
I never thought I'd be a guy
To answer "Dad, when will you die?"

And later on when I knew more,
I realized the chance in store,
But thought it would to me apply-
Not one who asked, "When will you die?"

I'd thought about it quite a bit.
For many times I'd tried to quit.
The question now was real close by
'Bout "Daddy, when you gonna die?"

I knew that I could smoke no more.
There was no other answer for
The look in my child's solemn eye
And question, "Dad, when will you die?"

Later when inclined to smoke.
I'd think of how my daughter spoke,
Then firmly could this thought deny
Remembering. "Dad, when will you die?"

When friends that smoke will try and fail,
They need a thing to help prevail
A thing on which they could rely
A thought like "Daddy, will you die?"

Quite a bit of research has been done on using xylitol products to reduce tooth decay. An article in *The Journal of Dental Hygiene*, Vol. 76, Fall 2002 contains this information.

“Xylitol is a naturally occurring sweetener which is essentially not fermentable by the caries-inductive oral microflora.” (This means that decay causing bacteria can’t use it) .. “ the oral health benefits of xylitol can most easily be attributed to its interference with the metabolism and adherence of *S.mutans* and other cariogenic bacteria” (This means that xylitol disrupts the chemical reactions in decay negating bacteria and their ability to stick to the teeth). “With habitual xylitol use there is a shift in the bacterial flora to a xylitol-tolerant population... (which) tend to be harmless.” (This means that the amount of decay causing bacteria becomes less with regular xylitol use.)

XYLITOL TOOTHPASTE A POEM YOU CAN SINK YOUR TEETH INTO

Most of us seek to have good teeth
So bright on top and strong beneath.
We can assist you in your quest
To share a smile that looks its best.

Yes, we have one that’s good for all,
It’s fluoride free with xylitol.
Just use it carefully each day
To help prevent your teeth’s decay.

Xylitol makes a deadly schism
In every oral microorganism,
And they’re the ones that activate
The stuff that makes tooth health abate.

Xylitol toothpaste does the trick
To help a smile through thin and thick.
So run down to your health food store
For healthy teeth and smiles galore.

Many believe that the modern way is the fast food way, and those that abstain from this are “health nuts”. The movie “Supersize Me” shows what can happen to those on a fast food diet.

FAST FOOD GUY

Copyright © 2000 Elwood Richard

Big fast food guy, each day walks by
My fruit and yogurt hut.
Says to my face, “You big disgrace,
You are a health food nut.”

And when I say that’s not okay,
It makes him pleased as punch.
He says it’s rude to spurn good food,
Like Taco Bell for lunch.

He says “health nut” is slander but,
Appropriately applied.
For each one knows all food that grows,
Is better deep fat-fried.

He is so bad, it makes me mad
To call my food so funky.
So next day I make my reply
“You big bad fast food junky.”

“Your stomach noise can scare small boys.
A mess is your complexion.
Your body weight is much too great;
Your mind a vast perplexion.”

“I’ll bet you if, you great big stiff,
You use my food ten days,
Your stomach would feel twice as good,
And clear your brain and gaze.”

I thought the guy would never try,
My smoothies and my diet.
He said to me if it was free,
He’d be the first to try it.

Now each day we contentedly,
Eat yogurt, nuts, and fruit.
The guy that I gave my reply,
Became a health recruit.

The way the average person looks at things is a continual puzzle. People are so careful to look at the label on pet food to be sure it contains everything needed for pet health. They also look after plants carefully with pruning, special pest controls and fertilizers. Their car is well maintained too. They know to check fluid transmission levels, use quality oil and change it regularly, and to use a good grade of gasoline.

People do this because they know this preserves the health of their plants, pets, car, etc. You would think people would see a pattern in this and apply this same concept to personal nutrition. Instead they listen to commercials that tell them to “go for the gusto” and that if indigestion results, they can take a pill for that.

Somewhere along the way (like Babe Ruth at the end of his career) one needs to take care of oneself. Often it is too late, and one reaps the health one has planted.

REAPING WHAT IS PLANTED

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We drive with care and check the air
In tires and use the latest
Oil that's high test and buy the best;
We really want the greatest.

When planting plants, we take no chance
With cheaper fertilizer.
We really try the best to buy
Because we think it's wiser.

We don't forget to ply each pet
With foods, they think suspicious.
And spare no care to fuel their hair
With elements nutritious.

But we all choose fast foods to use
All sugar, salt, and greasy,
And dare to say, this is okay
Because it is so easy.

But when our health requires some wealth
Were kind of slow to try it.
Most earnestly, we hate that we
Are limited by diet.

No use to whine as we decline
That fairness wasn't granted.
Though cars are swell; and pets excel;
We've reaped what we have planted.

WEIRD STUFF

Copyright © 2000 Elwood Richard

When visitors stay at our house
And see the cooking of my spouse,
They think within, "It's as I feared.
The stuff these health folks serve is weird."

The first thing that they often see
Is that we offer herbal tea.
We appetize with stone ground chips
Accomp'ned by her yogurt dips.

The salad has a wild array
Of colored greens put on display.
The dressing from a recipe
That my spouse has designed for me.

And when they try to make more sweet
The food they shortly plan to eat,
The sugar bowl's not there to see
Just syrup from a maple tree.

The main course could be lentil soup
Great for a late incoming group.
With this, I favor cakes of rice
The soy sauce flavor is quite nice.

If rolls are served, they can't be white.
Whole wheat the kind that seems just right.
The spread my wife selects will oft
Be mixed with oil to keep it soft.

The rice will have a shade of brown
And tends to cause our guests to frown.
Dessert could be her pumpkin bread
Or fruit with yogurt served instead.

The visitors don't understand
This weird stuff which my spouse has planned.
But when they try it they relate
That my wife's weird stuff's really great.

My wife was working at our health food store in Lombard and did wait on a customer who bought large amounts of supplements for his dogs. Although my wife (I substituted “counter guy” in the poem to make it rhyme) did raise the points in the poem, the pet owner actually walked out of the store shaking his head at the idea of using those items that were good for his dogs. The poem shows how things should have turned out. Items that local dog breeders and owners have used to improve pets health have included kelp powder, alfalfa powder, bone meal, yeast, lecithin, soy granules, wheat germ and many others.

At the start of the health industry, by-products were used by farm animals including blackstrap molasses, whey, lecithin, bran, and wheat germ. Because these were by-products, the price was very low. As farmers began to appreciate the value of these items, the price went up and eventually researchers found that they had nutritional values that were helpful to humans too.

THE WONDROUS WISE MAN

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There was a man in our town,
We thought was wondrous wise.
He went in for health foods galore
Where he bought health supplies.

It made you smile to see his pile
Of powders, pills and such.
The counter guy let out a cry,
“How can you use so much?”

The wise man said with face quite red,
“How stupid can you get?
The stuff you see is not for me,
It’s only for my pet.

I must relate, my dog looks great
And thrives on what you see.
He goes to shows, the town all knows,
And earns a lot for me.

I use a plan with kelp and bran
To make his coat to shine.
This photo shows how my dog glows;
Are other dogs so fine?

He has a feast on brewer’s yeast
Which fills my dog with pep.
One can’t believe or quite conceive,
How sprightly is his step.”

The counter man again began,
“Because your dog looks swell,
So likely you use health foods too,
To help your looks as well.”

The man we all thought to be wise,
Said, “Everybody knows
I own the pet and don’t forget
I don’t compete in shows.”

“I must pursue my point of view,”
Replied the counter guy,
“If it puts pep in a dog’s step,
It should be worth a try.”

And when he saw what he had done,
With all his might and mane.
The man grew wise, got more supplies,
Since now the facts were plain.

SPROUTS

In 1999, there was an outbreak of sickness from alfalfa sprouts in the Madison, Wisconsin area. Herb Bostrum, Director of the Bureau of Communicable Diseases, was in charge of gathering information that led agricultural officials to recommend that people should not eat sprouts. Fearing that sprouts could be banned, we wrote Mr. Bostrum to recommend a method for producing safe sprouts using a citric acid rinse. We furnish free information about sprouting safely and recipes available at your health food store.

USDA information shows that sprouting increases the total food values in mung beans as follows: Vit A 102%, thiamin 175%, riboflavin 400% and niacin 147%. Vitamin C increases from not detectable in the seeds to more than many fruits and vegetables including apples, beets, carrots, sweet corn, and peaches. Depending on the time harvested, the seeds increase in weight about 800%.

The herbivores at Lincoln Park Zoo in Chicago were once fed a supplement to their diets by sprouts which the zoo raised, to assure that their expensive animals would remain in good health.

SPROUT DOUBT

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When Mr. Bostrum had his doubts
That benefits occurred from sprouts,
We had to send a note to say,
“You should not take our sprouts away.”

Though his reports showed sprouts were bad,
We sent the best info we had.
It showed a rinse with mild citrate
Made sprouts look good, and tasted great.

Sprout cost is small you must agree;
Their use is great economy.
Fresh vegetables are rarely found
At merely pennies to the pound.

Sprouting raises values in
B-1, B-2, and niacin
In seeds you can't find any C
But when seeds sprout, the C will be

There's not another food that could
Be fresh and wholesome and so good,
And we know sprouts are useful to
The herbivores at Lincoln Zoo.

Please note the things we have to say,
And do not take our sprouts away.
We hope that we have said enough
To show how much we need this stuff.

HUMPTY DUMPTY

Humpty Dumpty sat on a wall.
Humpty Dumpty had a great fall.
All the kings' men were surprised when they found
Humpty unbroken. He rose with a bound.
Humpty was careful and used every day
NOW Bone Strength pills to prevent shell decay

JACK WAS NIMBLE

Jack was nimble, Jack was quick
Glucosamine had done the trick

CHLOROPHYLL

Why reeks the goat on yonder hill
Who daily dotes on chlorophyll?
I think that I can tell you how.
The brand he ate was not from NOW.

One of our managers used to go to grade schools and give a talk about the problems with the high sugar intake in the USA. Including the corn sugar sweeteners, it is over 140 lbs. per person per year.

Part of her demonstration was to pour level teaspoons of sugar into a clear glass cup and ask the students to raise their hands when the level in the glass reached the amount in a standard Coke and a Twinkie. She found that it was 22 teaspoonfuls, or about 3 ounces (85 grams). The students had all raised their hands well before she reached this amount. The little boy in the poem really did throw out his lunch. He had been sent to school with only a Coke and Twinkies for lunch.

TWINKIES AND A COKE

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One speaker we would often send
To grade schools so she could extend
Nutrition they could comprehend.

She used a cup to demonstrate,
In hopes that they'd eliminate
The sugars in the food they ate.

With just a Twinkie and a Coke
She'd demonstrate the things she spoke,
And made it clear to those small folk.

She wanted all the class to guess
The sugar content of this mess
'Twas eighty grams, but all thought less.

She said the people living here
Will eat two thirds of their weight each year
And cause good health to disappear

One boy stood up, so far from trim
He left the room; his smile was dim.
This was the same lunch given him

The little boy came back to say
He would not be at lunch that day,
He just had thrown his lunch away.

TIES (BRAIN CIRCULATION)

The main problem with neck ties is that blood flow to the brain is reduced because the tie and collar press on the arteries to the brain. The best solution is not to wear a tie or to make certain that it is not too tight.

Especially as we get older, we need all the support we can for our brains and some supplements can be helpful. Ginkgo biloba will increase blood flow to the brain and bioflavonoids increases the circulation through small capillaries. Lecithin, at a level of 10 grams per day, and ginseng at 1000 mg per day can also be helpful.

TIES

We use man's ties to put in place
Some quite nice patterns 'neath his face.
We think the habit is okay
Because it will high style convey.

But now the facts have been made plain.
Ties slow the blood-flow to the brain.
I used to wear ties all the time.
But now it's like white-collar crime.

However did this habit start?
Was it a clothier very smart?
What likely made this habit grow
Was excess cloth and greed for dough.

Except for show, it has no use;
At least not one we can deduce.
Ties cannot open foods that's canned
Or help to clean a dirty hand.

Ties won't hold parcels on a bike
Or anything athletic like.
The only thing they're useful for
Is making wearer's necks get sore.

In summer when it's very hot
Ties do not cool you off a lot.
That is a time a man soon finds
He really knows that tie that binds.

Now to conclude ties don't make sense.
They slow blood flow and add expense,
What wearing ties now really means
The wearer reads men's magazines.

Visit our family of websites

nowfoods.com
nowfoodsinternational.com
nowsportsproducts.com
protocolforlife.com
betterstevia.com
fruitfullyield.com
puresource.ca

ENJOY THE INSIDE STORY OF AMERICA'S MOST SUCCESSFUL PRIVATE NATURAL PRODUCTS COMPANY.



Humorous insights into the industry's history make this ongoing story worthwhile reading for health enthusiasts and vitamin skeptics alike. The family behind NOW[®] Foods has worked enthusiastically since 1948 to lead the charge toward better health and better products. You will feel better after reading this story.

The Richard family is a proud provider of quality supplements, natural foods, personal care, and sports nutrition. They enjoy working within the natural food industry and have a sincere interest in upholding NOW's mission: **To provide value in products and services that empower people to lead healthier lives.**

