

IN THE SECOND CIRCUIT COURT FOR DAVIDSON COUNTY, TENNESSEE  
TWENTIETH JUDICIAL DISTRICT AT NASHVILLE

**FILED**

APR 15 2013

RICHARD R. ROOKER, Clerk  
By \_\_\_\_\_ Deputy

STATE OF TENNESSEE, )  
*ex rel.* ROBERT E. COOPER, JR., )  
ATTORNEY GENERAL and REPORTER, )

Plaintiff, )

v. )

HRC MEDICAL CENTERS, INC., a domestic )  
corporation, *formerly known as* HAIR )  
RESTORATION CENTERS OF TENNESSEE, )  
INC., HRC MANAGEMENT MIDWEST, LLC, )  
a foreign limited liability company, )  
DAN E. HALE, D.O., *individually and as an* )  
*officer*, DON HALE, *individually and as an* )  
*officer*, BONNIE HALE, DIXIE HALE, )  
*individually and doing business as* SOUTHERN )  
BELLE CONSULTING, LLC, MICHAEL )  
MONTEMURRO, *doing business as* MADMAC )  
CONSULTING, LLC, HRC MEDICAL )  
CENTERS HOLDINGS, LLC, a foreign limited )  
liability corporation, HRC MANAGEMENT, )  
LLC, a foreign limited liability corporation, )  
DANA HELTON, in her capacity as Trustee of )  
the CARDINAL REVOCABLE TRUST, )  
BELLA VITA MEDICAL CENTERS, LLC, )  
a domestic limited liability corporation, )  
MIDWEST RESTORATIVE HEALTH, LLC, )  
a foreign limited liability corporation, )  
LEGACY MEDICAL CENTERS, LLC, )  
a foreign limited liability corporation, and )  
BIOLIFECYCLE MEDICAL CENTERS, LLC, )

Defendants. )

JURY DEMAND

Case No. 12C4047

[FILED UNDER SEAL]

FIRST AMENDED COMPLAINT  
FOR TEMPORARY AND PERMANENT INJUNCTION, JUDICIAL CORPORATE  
DISSOLUTION, AND OTHER RELIEF

1. This civil law enforcement action is brought in the name of the State of Tennessee, in its sovereign capacity, by and through Robert E. Cooper, Jr., Attorney General and Reporter ("State" or "Attorney General"), pursuant to Tenn. Code Ann. § 47-18-108 of the Tennessee Consumer Protection Act of 1977, Tenn. Code Ann. §§ 47-18-101 to -130 (2004) ("TCPA") to protect consumers and the integrity of the commercial marketplace in Tennessee. Further, pursuant to Tenn. Code Ann. § 48-24-301, the State seeks to judicially dissolve Defendant HRC Medical Centers, Inc. ("Defendant HRC Medical") for transacting business in a persistently fraudulent and/or illegal manner.

2. Additionally, the State brings this action under the Uniform Fraudulent Transfer Act ("UFTA") to recover assets and other property for the HRC Medical receivership estate stemming from fraudulent transfers the company made through Defendants Don Hale, Dan Hale, Dixie Hale, individually and doing business as Southern Belle Consulting, LLC, Dana Helton in her capacity as the Trustee for the Cardinal Revocable Trust ("Defendant Cardinal Revocable Trust"), and Michael Montemurro, doing business as MadMac Consulting, LLC ("Defendant Montemurro"), to themselves, Defendant Bonnie Hale, Defendant Bella Vita Medical Centers, LLC ("Defendant Bella Vita"), Defendant Midwest Restorative Health, LLC ("Defendant Midwest Restorative"), Defendant Legacy Medical Centers, LLC ("Defendant Legacy"), and BioLifecycle Medical Centers, LLC ("Defendant BioLifecycle") following notice of the State's investigation and/or lawsuit.

3. Gary Cordell, the Director of the Division of Consumer Affairs of the Department of Commerce and Insurance, has requested that the State of Tennessee, through the Attorney General, commence a civil law enforcement proceeding against Defendants HRC Medical Centers, Inc., HRC Management Midwest, LLC, Dan Hale, D.O., individually and as an officer, and Don Hale,

individually and as an officer, (collectively “TCPA Defendants”) for violations of the TCPA. The Director and the Attorney General have reason to believe that TCPA Defendants have violated the TCPA by, among other things, saturating the commercial marketplace in Tennessee with false and misleading statements and material omissions about the safety, efficacy, benefits, side effects, and risks of their alternative regimens of “bio-identical” hormone replacement therapy (hereinafter “BHRT”) and BHRT’s purported superiority over traditional commercial hormone replacement therapy, which consists of conjugated equine estrogens and/or progestins or other forms of estrogen and progesterone (hereinafter “HRT” or “traditional hormone replacement therapy regimens”).

4. Pursuant to Tenn. Code Ann. § 47-18-108(a)(2), the Director of the Division of Consumer Affairs determined that the purposes of the TCPA would have been substantially impaired by a delay in instituting legal proceedings and did not provide TCPA Defendants with 10 days’ notice of the State’s intention to initiate legal proceedings against them.

5. As set forth below, the State’s civil law enforcement action under the TCPA concerns TCPA Defendants’ advertising, sales, and contractual practices for TCPA Defendants’ purportedly unique alternative regimen of BHRT for both men and women.

6. This First Amended Complaint is being filed concurrently with an *Ex Parte* Motion for a Temporary Restraining Order with Asset Freezes and Order Appointing *Pendente Lite* Receiver, supporting exhibits, and a memorandum in support.

#### **GENERAL FACTUAL ALLEGATIONS**

7. TCPA Defendants advertised, sold, and administered a purportedly unique cocktail of “bio-identical” hormones that was extracted from sweet potatoes or soybeans, converted into pellet form, and then inserted beneath the skin of the consumer based on a hormone regimen program that

was created, implemented, and overseen by an unlicensed medical assistant with no formal training, but with full approval from Defendants Dan Hale and Don Hale.

8. TCPA Defendants structured the BHRT component of their business using a highly aggressive sales model—especially for a business in the medical field. Under this sales model, appointments for consumers who called in to set up “free” consultations were prioritized based on prior sales success. The most successful sales consultant was given first priority. Notably, most of Defendant HRC Medical’s sales consultants, who had no or very little hormone-related training, had their daily sales conversion ratios monitored, were *required to meet sales quotas*, and were paid on a *100% commission basis*—meaning that the sales consultant was not paid unless the consumer purchased BHRT. When the consumer arrived at the HRC Medical office for the consultation, the consumer was asked to fill out a “symptom” questionnaire that featured broadly-applicable purported symptoms of hormone deficiency, like “tiredness,” “poor focus,” and “memory lapses.” For the vast majority of consumers, TCPA Defendants determined that they were candidates for BHRT even if they only checked one of the broadly applicable purported symptoms.

9. Unlike traditional hormone replacement therapy regimens, which are provided to menopausal women for short-term use, TCPA Defendants marketed their BHRT to practically all age ranges for long-term or perpetual use, which dramatically increases risk factors, safety concerns, and side effects. TCPA Defendants’ BHRT cocktail for women included estrogen and, *unlike traditional hormone replacement therapy regimens*, also included mega-doses of testosterone in amounts intended to reach levels typically found in men—*amounts between three and four times the upper range of testosterone found in most normal women*—unbeknownst to their female consumers. For



men, the BHRT cocktail included mega-doses of testosterone that were intended to reach levels up to *two to three times* the levels found in most normal men—unbeknownst to their male consumers.

10. The hormone pellets for the BHRT cocktail were not produced by TCPA Defendants, but rather by MasterPharm, Inc., a compounding pharmacy that, under an exclusive supplier agreement, paid Defendant HRC Medical one dollar for each hormone pellet ordered and paid for by any HRC Medical-branded clinic. As known to TCPA Defendants, this compounding pharmacy had quality control problems with the compression and absorption of the pellets given to consumers in Tennessee—a problem in and of itself that made the release of the hormones in TCPA Defendants' BHRT program wholly unpredictable and potentially dangerous.

11. The advertising component of TCPA Defendants' BHRT program was equally troublesome. TCPA Defendants asserted that their BHRT is completely safe and/or virtually risk and side effect free largely because the ingredients used in the therapy purportedly came from natural sources and were purportedly identical to the hormones that the body produces. Defendant HRC Medical and Defendant Dan Hale went so far as to assert not only that their therapy was perfectly safe, but, on multiple occasions, *that it was unsafe not to go through with the therapy*. These sweeping safety, risk, and side-effect claims for BHRT were false, deceptive, and/or not adequately substantiated.

12. TCPA Defendants' misrepresentations asserting absolute safety, limited or no risk, and no or minimal side effects in advertisements were known by TCPA Defendants to be false, deceptive, and/or unsubstantiated based on numerous consumer complaints, investment disclosure documents, and other internal documents. These misrepresentations were also widely discussed

within Defendant HRC Medical including through internal e-mails and at several meetings that Defendants Don and Dan Hale led and attended.

13. TCPA Defendants have also falsely, deceptively, and/or without adequate substantiation claimed that their BHRT can increase a consumer's lifespan and can act as a veritable wellness cure-all—acting to prevent, treat, or cure a large number of diseases and conditions associated with aging or reverse the effects of aging itself. Moreover, TCPA Defendants claimed—falsely, deceptively, and/or without adequate substantiation—that their BHRT involved no cancer risk, protected against cancer, had no or minimal side effects, provided cardiovascular benefits, reduced cholesterol, increased head hair growth, increased head hair thickness, caused weight loss, helped control weight, and prevented, treated, or cured heart disease, high cholesterol levels, Alzheimer's Disease, memory loss generally, diabetes, Attention Deficit Hyperactivity Disorder, depression, fibromyalgia, arthritis, Restless Leg Syndrome, hair loss, or a host of other diseases and conditions commonly associated with aging.

14. In addition to TCPA Defendants' false, deceptive, and/or unsubstantiated express claims, TCPA Defendants, in advertisements for their BHRT, either failed to clearly and conspicuously disclose or purposefully understated potential serious side effects from their alternative BHRT regimens, including increased risks of endometrial cancer, tissue edema, changes in lipids, and other serious health risks, including possible increased risks of breast cancer, as well as other side effects that may significantly impair a consumer's quality of life such as long-term or permanent hair loss on the top of one's head, voice deepening, weight gain, significant hair growth in undesired areas of the body like the face, buttocks, and chest for women, increased anxiety, paranoia,

psychosis, infertility, and long-term or permanent disfigurement of the consumer's genitals and other body parts.

15. The sweeping marketing claims for alternative hormone replacement regimens, like those made by TCPA Defendants for their BHRT, have no credible scientific basis and have been disputed by the United States Food and Drug Administration ("FDA"), the American Medical Association, the Endocrine Society, the American Congress of Obstetricians and Gynecologists, the North American Menopause Society, the American Association of Clinical Endocrinologists, the American Cancer Society, a representative of the Mayo Clinic, and other highly-reputable groups and individuals within the medical community.

16. The State asserts that TCPA Defendants violated the TCPA in the following ways:

- by making false, deceptive, and/or unsubstantiated claims about the safety, benefits, efficacy, risks, and side effects of Defendant HRC Medical's BHRT;
- by making false, deceptive, and/or unsubstantiated superiority claims about the safety, benefits, efficacy, risks, and side effects of Defendant HRC Medical's BHRT compared with traditional hormone replacement therapy regimens;
- by claiming falsely, deceptively, and/or without adequate substantiation that Defendant HRC Medical's BHRT restores a consumer's hormone levels to the levels he or she had in his or her twenties or thirties or his or her prime;
- by failing to clearly and conspicuously disclose or understating serious side effects or health risks associated with Defendant HRC Medical's BHRT;

- by misrepresenting the expertise of Defendant HRC Medical's former chief spokesperson, Dr. Dan Hale, and other individuals at Defendant HRC Medical with respect to hormones;
- by falsely stating that the compounding pharmacy used by Defendant HRC Medical to supply its pellets has been approved by the FDA;
- by deceptively claiming that the compounding pharmacy used by Defendant HRC Medical for its BHRT adheres to high quality control measures and produces optimized, time-released pellets;
- by using fabricated quotes of purported findings of medical studies in promotional materials;
- by misrepresenting the amount of support for its health claims;
- by misrepresenting the number of satisfied consumers;
- by repeatedly holding out officers, directors, employees and others as consumers of Defendant HRC Medical's BHRT in testimonials without clearly and conspicuously disclosing their material connections to Defendant HRC Medical or its principals;
- by using consumer testimonials without clearly and conspicuously disclosing side effects the consumer experienced;
- by using consumer testimonials without disclosing benefits the consumer received for providing his or her testimonial; and
- by requiring a consumer to sign a non-refundable contract for thousands of dollars for *future* treatments of BHRT without knowing how a consumer will *initially* respond to the BHRT, without knowing whether a future hormone pellet implant would be

appropriate *at the time given*, and before, in most cases, a consumer has even had his or her blood taken or met with anyone remotely resembling a medical professional.

17. These advertising and contractual acts or practices, both individually and cumulatively, endangered the health of consumers in Tennessee without the consumers' knowledge, significantly impaired the quality of life for an untold number of Tennessee consumers, and caused widespread economic loss.

18. Aside from this, the State generally alleges that Defendants Don Hale, Dan Hale, Dana Helton, and other officers of Defendant HRC Medical, including Dixie Hale and Michael Montemurro, conspired to strip Defendant HRC Medical of valuable assets, to redirect incoming funds away from Defendant HRC Medical to themselves or other insiders, to functionally abandon Defendant HRC Medical, and to largely reconstitute Defendant HRC Medical as Defendants Legacy, BioLifecycle, Midwest Restorative, and Bella Vita without any money being paid to Defendant HRC Medical in a series of related fraudulent transfers that began after Defendants Don Hale, Dan Hale, and others received notice of the State's investigation and that accelerated in the hours leading up to scheduled hearings on the State's temporary injunction and receivership motions.

19. Defendants Don Hale, Dan Hale, and other officers of Defendant HRC Medical:

- executed a plan to raid Defendant HRC Medical of valuable assets;
- transfer over \$1,000,000 in cash belonging to Defendant HRC Medical to themselves and their wives;
- redirect an-as-yet unknown amount of incoming funds due to Defendant HRC Medical to themselves and their wives;

- wipe away \$400,000 in loans they owed to Defendant HRC Medical—including the remaining balance on Defendant HRC Medical’s funds used to purchase Defendants Don and Dixie Hale’s \$1,465,000 Brentwood estate—through a \$980,000 dividend recorded on Defendant HRC Medical’s accounting records;
- transfer, in effect, all of the assets of Defendant HRC Medical’s wholly-owned clinic locations to Legacy and BioLifecycle despite a written agreement claiming to transfer only the “ownership of HRC patients receiving hormone replacement therapy” *for no money* paid to Defendant HRC Medical;
- transfer, in effect, all of the assets of the Nashville and other wholly-owned clinic locations *for no money* paid to Defendant HRC Medical;
- transfer, in effect, all of the assets of Defendant HRC Management Midwest to Defendant Midwest Restorative *for no money* paid to Defendant HRC Management Midwest; and
- leave Defendant HRC Medical with *negative* \$1,500,000 in equity.

### **JURISDICTION AND VENUE**

20. As a court of general jurisdiction, the circuit court is authorized to hear this matter, based on the TCPA, the judicial corporate dissolution statute, and UFTA, the amount at issue, and the relief sought:

21. Venue is proper in Davidson County pursuant to the TCPA’s specific state enforcement venue provision, Tenn. Code Ann. § 47-18-108(a)(3), because it is a county where the alleged violations took place and is also the county in which Defendants HRC Medical, Don Hale, Dan Hale conduct, transact, or have transacted business. Because this action is also one to judicially

dissolve Defendant HRC Medical, venue is also proper in Davidson County under Tenn. Code Ann. § 48-24-302(a). Pursuant to Tenn. Code Ann. §§ 20-4-104(3)(B), 20-2-214 and -215, venue is also proper as to Defendants Legacy Medical Centers, LLC, BioLifecycle Medical Centers, LLC, HRC Medical Holdings, LLC, HRC Management, LLC, and Midwest Restorative Health, LLC, as they are foreign corporations whose registered agent by statute is the Tennessee Secretary of State, whose office is located in Nashville. Further, venue is proper as to Defendant Bella Vita as its principal place of business, mailing address, and registered agent's address are all 301 14th Avenue North, Nashville, TN 37203.

22. Venue is appropriate as to the other Defendants because the joinder of the amended claims, remedies, and the parties is also appropriate. Aside from the availability of temporary extraordinary or equitable relief, Tenn. R. Civ. P. 18.02 explicitly allows the joinder of remedies, including relief from a fraudulent conveyance without having first having obtained a judgment. Further, joinder as to the amended parties is needed in the action because without their addition, complete relief cannot be accorded to the State. Defendants that or who have been added as parties are the transferees of assets and other property from the HRC Medical receivership estate, are extensions of Defendant HRC Medical itself, or are the transferees of Defendant Dan Hale. Without the addition of these Defendants, a judgment against the original Defendants would impair the State's ability to procure consumer redress and other relief as a result of asset dissipation.

23. Before October 1, 2012, Defendant HRC Medical operated an office at 301 14th Avenue North, Nashville, TN 37203. At the office, Defendant HRC Medical met with current and prospective consumers of its BHRT, entered into contracts with consumers for its BHRT, recorded advertisements, and administered the BHRT at issue in this Complaint.

24. Defendant HRC Medical previously transacted business at 301 14th Avenue North, Nashville, TN 37203 in Davidson County, a property that Defendants Don Hale and Dan Hale purchased through a transaction with a commercial lender. Before moving to its address on 14th Avenue, Defendant HRC Medical also transacted business in Davidson County at 1916 Patterson Street, Suite 500, Nashville, TN 37203.

25. Defendant HRC Medical's Nashville office provided its BHRT to more consumers in Tennessee than any other location in Tennessee.

26. Prior to April 1, 2012, Defendant HRC Medical listed its principal place of business as 301 14th Avenue North, Nashville, TN 37203 on its corporate filings with the Tennessee Secretary of State and listed the same address as the contact for Defendant HRC Medical's registered agent.

27. Defendant Dan Hale, Defendant Don Hale, and other employees, officers, or agents of Defendant HRC Medical also routinely appeared through media outlets in Davidson County for the purpose of advertising Defendant HRC Medical's BHRT.

28. Defendant HRC Medical placed more advertisements for its BHRT with media outlets based in Davidson County than any other location in Tennessee.

### **SPECIFIC FACTUAL ALLEGATIONS**

#### **PLAINTIFF**

29. Plaintiff, State of Tennessee *ex rel.* Robert E. Cooper, Jr., Attorney General and Reporter, is charged with enforcing the TCPA. Pursuant to Tenn. Code Ann. § 47-18-108, actions for violations of the TCPA may be brought by the Attorney General with approval from the Division of Consumer Affairs in courts of competent jurisdiction to restrain violations, to secure equitable and



other relief, and to otherwise enforce the provisions of the TCPA. The Attorney General is also specifically authorized to bring actions for judicial corporate dissolution under Tenn. Code Ann. § 48-24-301. Further, pursuant to Tenn. Code Ann. § 66-3-302(4) and (9) (defining “creditor” as including person and “person” as including a governmental entity), Tenn. Code Ann. § 66-3-305, Tenn. Code Ann. § 66-3-306, and Tenn. Code Ann. § 66-3-308, the Attorney General is authorized to bring claims under the UFTA.

### **DEFENDANT HRC MEDICAL**

30. Defendant HRC Medical is a domestic corporation that was placed under the control of a temporary receiver pursuant to this Court’s December 27, 2012, order. In its most recent filing with the Tennessee Secretary of State, Defendant HRC Medical listed its principal place of business as 405 Duke Drive, Suite 240, Franklin, Tennessee 37067. Before being placed in receivership, Defendant HRC Medical, at various times, owned and operated the Nashville, Knoxville, Charlotte, Raleigh, Grand Rapids, Detroit, and Lexington clinic locations. At various times, HRC Medical Centers-branded clinics have been located in Memphis, Alabama, Arizona, Colorado, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, Nebraska, North Carolina, Ohio, Oklahoma, South Carolina, Texas, and Virginia through joint ventures or other corporate structures that function similar to franchises (hereinafter “franchise” or “franchisee” to refer to other corporate partners).

31. Defendant HRC Medical, which claimed to be the largest provider of BHRT in the country, also made other treatment offerings to consumers including a facial peel laser program, a non-FDA approved weight loss program with human chorionic gonadotropin (“HCG”), a purported water-based alternative to liposuction, and hair restoration therapy. Defendant HRC Medical’s

BHRT, however, was the most heavily advertised offering and has been purchased more often than any other offering.

### **DEFENDANT BELLA VITA**

32. Defendant Bella Vita Medical Center, LLC, is a domestic limited liability company that operates Defendant HRC Medical's former Nashville BHRT clinic location in much the same way that Defendant HRC Medical did.

33. Defendant Bella Vita uses the same BHRT, the same treatment protocols, the same employees, the same physician, the same phone number, the same building, similar advertising claims, and, for a time, Defendant HRC Medical's Amor Vie trademark in advertisements and an "HRC Medical Centers" sign outside its office.

34. Defendant Bella Vita lists 301 14th Avenue North, Nashville, TN 37203 as its principal place of business, mailing address, and address for its registered agent.

35. Defendant Bella Vita's sole member is Susan Cannata. Mrs. Cannata and her husband, Charles Cannata, are both former managers of Defendant HRC Medical's Nashville clinic location. The Cannatas operate and manage Defendant Bella Vita's office on a day-to-day basis.

36. After the Cannatas and Defendant Don Hale became aware of the State's investigation, had heard that the State had taken the sworn testimony of former sales consultants, and after Charlie Cannata attended a meeting at Defendant HRC Medical on August 4, 2012, that discussed, among other things, selling Defendant HRC Medical's wholly-owned clinics quickly due to regulatory and media concerns, Susan Cannata purchased the assets of the Nashville clinic from Defendant HRC Medical.

37. Defendant Bella Vita filed as a limited liability company with the Tennessee Secretary of State on September 13, 2012, with an effective date on October 1, 2012.

#### **DEFENDANT HRC MANAGEMENT MIDWEST**

38. Defendant HRC Management Midwest, LLC is a limited liability company formed in Delaware that owned and operated the Memphis office of HRC Medical from April 1, 2012 until October 2012. Defendant HRC Management Midwest also owned and operated other HRC Medical offices including clinics in Overland Park, Kansas and Omaha, Nebraska. Throughout its operation of the Memphis office, Defendant HRC Management Midwest used advertising, promotional, and contractual materials provided by Defendant HRC Medical and directed consumers to the websites owned by Defendant HRC Medical.

39. On February 17, 2012, Defendant HRC Management Midwest registered as a limited liability company with the Delaware Department of State. Later, on April 23, 2012, Defendant HRC Management Midwest filed an Application for Certificate of Authority for a Limited Liability Company with the Tennessee Secretary of State, which was signed by Defendant Dan Hale's daughter, Dana Helton, as a member. Dana Helton has responded to numerous complaints from consumers concerning their BHRT purchases, including those who referenced serious side effects, on behalf of Defendant HRC Medical.

40. Before October 10, 2012, Defendant HRC Management Midwest had two members, GSJ Joint Ventures, LLP, and HRC Medical Centers Holdings, LLC ("Defendant HRC Holdings"). On October 10, 2012, Defendant HRC Holdings bought out GSJ Joint Ventures, LLP's membership stake in Defendant HRC Management Midwest for no consideration and agreed to assume all

liabilities for Defendant HRC Management Midwest—including any resulting from the State’s lawsuit.

41. Defendant Management Midwest has functionally been abandoned since the State’s lawsuit and all of its assets, including the Memphis, Overland Park, Kansas, and Omaha, Nebraska, clinic locations have been assumed by Defendant Midwest Restorative Health for no or little consideration paid to HRC Management Midwest.

#### **DEFENDANT MIDWEST RESTORATIVE**

42. Defendant Midwest Restorative Health, LLC, is the current owner and operator of the Memphis BHRT clinic, which is located at 1790 Kirby Parkway, Suite 118, Germantown, TN 38138. Along with the Memphis clinic, Defendant Midwest Restorative owns and operates BHRT clinic locations in Overland Park, Kansas and Omaha, Nebraska, as its predecessor Defendant HRC Management Midwest had done.

43. Defendant Midwest Restorative is a Delaware limited liability company that is not registered to do business as a foreign entity with the Tennessee Secretary of State.

44. Defendant Midwest Restorative assumed ownership of all of the clinics previously owned by Defendant HRC Management Midwest following a series of transactions that occurred after the filing of the State’s lawsuit.

45. Defendant Midwest Restorative functions identically to Defendant HRC Management Midwest. It uses the same BHRT, uses the same advertising claims, has the same employees, operates at the same locations, and is managed by the same individuals including Grisel Wiley, Shane Dodgen, and Jeff Bowles.

## **DEFENDANT LEGACY**

46. Defendant Legacy Medical Centers, LLC, is a Virginia limited liability company that is not registered to do business as a foreign entity with the Tennessee Secretary of State.

47. Defendant Legacy has its principal office located at 150 Research Drive, Hampton, Virginia 23666.

48. Defendant Legacy's registered agent is Ronald R. Howell, located at 150 Research Drive, Hampton, Virginia 23666.

49. Defendant Legacy's sole member is Ron Howell.

50. Legacy filed its Articles of Organization with the Virginia State Corporation Commission on October 11, 2012, just three days after the State filed its original Complaint and one day after this Court entered a Statutory Temporary Restraining Order through an interchange agreement.

51. Legacy was officially formed as a Virginia limited liability company on October 22, 2012.

52. Before this time, Ron Howell, Legacy's sole member and Chief Executive Officer, traveled to Nashville to discuss purchasing HRC Medical's wholly-owned clinics.

53. On November 29, 2012, Defendant Don Hale and Ron Howell signed a "Letter of Authorization" stating that "HRC Medical Centers, Inc. has transferred ownership of HRC patients receiving hormone replacement therapy treatment to Legacy Medical Centers, LLC as of the 1st day of November, 2012" for the following clinic locations: Atlanta, Georgia, Charlotte, North Carolina, Detroit, Michigan, Grand Rapids, Michigan, Greensboro, North Carolina, Greenville, South Carolina, Knoxville, Tennessee, Lexington, Kentucky, and Raleigh, North Carolina.

54. After the transfer, Defendant Legacy's management functions continued to be operated on a day-to-day basis from Tennessee as had occurred with Defendant HRC Medical. Key Defendant HRC Medical employees continued to perform the tasks that they had previously done, but now for Defendant Legacy. These tasks included paying Defendant Legacy's bills, handling payroll, providing business forms, moving money to and from Defendant Legacy's bank accounts, collecting accounts receivable from joint venture partners, and, generally keeping track of Defendant Legacy's liabilities and assets.

55. These employees, including Danielle McDonald, Julie Boyett, and Janet Brantley, continued to perform these management tasks at Defendant HRC Medical's corporate office in Franklin, Tennessee until the Receiver was appointed. After the Receiver was appointed, these employees continued to operate Defendant Legacy's management functions on a day-to-day basis from Tennessee through remote computer access.

56. Numerous documents obtained by the Receiver show that Defendant HRC Medical's Knoxville clinic was in the process of transitioning to be run under the name Legacy Medical Centers, LLC, at the time that the Receiver took physical possession of the Knoxville clinic location.

#### **DEFENDANT BIOLIFECYCLE**

57. After members of the Receiver's staff interviewed former HRC Medical employees who were by then working for Defendant Legacy in which Legacy was discussed, Ron Howell incorporated Defendant BioLifecycle Medical Centers, LLC, in Virginia on January 28, 2013.

58. Defendant BioLifecycle is not registered to do business as a foreign entity with the Tennessee Secretary of State.

59. Like Defendant Legacy, Defendant BioLifecycle's principal office is located at 150 Research Drive, Hampton, Virginia 23666, its registered agent is Ronald R. Howell, located at 150 Research Drive, Hampton, Virginia 23666, and its sole member is Ron Howell.

60. Former HRC Medical employees, including Samantha Lansford and Genevieve Trent, who are currently working for Defendant BioLifecycle, have called former Defendant HRC Medical's Knoxville clinic consumers to set up an appointment for them to finish the BHRT treatments they started with Defendant HRC Medical at Defendant BioLifecycle's clinic located at 311 South Weisgarber Road, Knoxville, TN 37919.

#### **DEFENDANT HRC HOLDINGS**

61. Defendant HRC Medical Centers Holdings, LLC, is a Delaware limited liability corporation that is not registered to do business as a foreign entity with the Tennessee Secretary of State.

62. Defendants Dan Hale and Don Hale are the only members of Defendant HRC Holdings. Defendants Dan Hale and Don Hale both executed the LLC's Operating Agreement in Tennessee and contributed only \$500 each for a capital contribution to the company.

63. Only Hale family members are listed as officers of Defendant HRC Holdings.

64. On its Articles of Organization, Defendant Don Hale is listed as President, Defendant Dan Hale is listed as Vice-President, Defendant Dixie Hale is listed as Secretary, Dane Hale is listed as Treasurer, and Dana Helton is listed as Chief Financial Officer.

65. In Defendant HRC Holdings's Operating Agreement any required notice is supposed to be sent to Don Hale at 405 Duke Drive, Suite 240, Franklin, TN 37067, to Dan Hale at 9123 Cross

Park Drive, Suite 200, Knoxville, TN 37923, and to Defendant HRC Holdings at 405 Duke Drive, Suite 240, Franklin, TN 37067.

66. Defendant HRC Holdings was set up to receive income from Defendant HRC Medical's joint venture partners and had a 50% stake in HRC Medical-branded joint venture partners.

67. In practice, Defendant HRC Holdings has been indistinguishable from Defendant HRC Medical, so much so that Defendant Don Hale does not make a distinction between them.

68. In his affidavit, Defendant Don Hale stated the following, in relevant part:

I am the President and CEO of HRC Medical, Inc., ("HRC") one of the named Defendants in the above matter . . . The center in Memphis previously owned by HRC Management Midwest, LLC was acquired by HRC in October 2012 and has now been closed.

69. On paper, Defendant HRC Medical did not acquire HRC Management Midwest, LLC, Defendant HRC Holdings did.

70. Defendant HRC Holdings has not observed corporate formalities and has functionally acted just as a name on a bank account at Defendant HRC Medical's complete disposal.

71. Defendant Don Hale, Defendant Dixie Hale, Don and Dixie's son Dane Hale, and former Defendant HRC Medical bookkeeper Julie Boyett are listed as signatories to Defendant HRC Holdings's bank account at Fifth Third Bank.

72. At Defendant Don Hale's request, Julie Boyett would send daily e-mails that would tell him the current balances of all bank accounts held by Defendant HRC Medical and related entities including Defendant HRC Holdings. The bank account in the name of Defendant HRC Holdings, along with every other bank account accessible by Defendant HRC Medical, were



functionally treated as one bank account. Defendant HRC Medical's bookkeeper would transfer money in and out of accounts, including Defendant HRC Holdings's account, in order to allocate money for Defendant HRC Medical.

73. Defendant HRC Medical's control of Defendant HRC Holdings was used to fund the fraudulent transfers totaling \$918,000 to Defendants Don Hale and Dan Hale on October 15, 2012, through a bank transfer of \$565,000, and was used to fraudulently transfer the assets of Defendant HRC Management Midwest to Defendant Midwest Restorative.

#### **DEFENDANT HRC MANAGEMENT**

74. Defendant HRC Management, LLC, not to be confused with Defendant HRC Management Midwest, is a Delaware limited liability company that is not registered to do business as a foreign entity with the Tennessee Secretary of State.

75. Defendant HRC Management has listed HRC Medical's corporate address, 405 Duke Drive, Suite 240, Franklin, TN 37067 as its own address.

76. As originally designed, Defendant HRC Management was an entity used to pay expenses incurred by the HRC Medical's wholly-owned clinic locations in North Carolina.

77. In practice, Defendant HRC Management has functioned as basically the name on a bank account at Defendant HRC Medical's complete disposal.

78. Defendant Don Hale, Defendant Dixie Hale, Don and Dixie's son Dane Hale, and Julie Boyett are listed as signatories to Defendant HRC Management's bank account at Fifth Third Bank.

79. As with the bank account in the name of Defendant HRC Holdings, the bank account in the name of Defendant HRC Management was functionally treated as part of one large bank

account at Defendant HRC Medical's disposal. At Defendant Don Hale's request, Julie Boyett would send daily e-mails that would list the current balances of all bank accounts held by Defendant HRC Medical and related entities, including Defendant HRC Management.

80. Defendant HRC Medical's bookkeeper would transfer money in and out of accounts, including Defendant HRC Management's account, in order to allocate money for Defendant HRC Medical.

81. \$400,000 from HRC Management's SunTrust bank account was used, in part, as the funding source for transfers totaling \$918,000 made to Don Hale and Dan Hale on October 15, 2012.

82. Defendant HRC Medical has used at least \$597,628.75 in funds drawn from Defendant HRC Management's account.

#### **DEFENDANT DAN HALE**

83. Defendant Dan Hale is a doctor of osteopathy who currently resides at 255 Rock Point Drive, Vonore, Tennessee 37885-2068.

84. Defendant Dan Hale was one of the original incorporators of Defendant HRC Medical and has served as president, secretary, and vice president of Defendant HRC Medical.

85. Defendant Dan Hale's training for hormone replacement therapy primarily came from a single two-day conference and from Trina Lonning, an unlicensed individual with a medical assistant's certificate from the Nashville Court Reporting Academy who was hired by Defendant Don Hale with Defendant Dan Hale's knowledge and approval to set up Defendant HRC Medical's entire BHRT program. Defendant Dan Hale's first exposure to hormone replacement therapy occurred when Ms. Lonning accompanied him to this *two-day* conference sponsored by SottoPelle,

another BHRT provider based in Arizona. Even within these two-day conferences, limited time was devoted to substantive training on hormone replacement therapy. A representative agenda for a similar seminar that Ms. Lonning attended on behalf of Defendant HRC Medical, which devoted one and a half hours to “Maximizing Profit From the Beginning,” is excerpted below in Figure 1:

### Agenda for SottoPelle™ 3rd Annual Seminar 2008

November 14th 2008

Friday

**7:00 – 8:45 Breakfast Bar**

8:30 – 9:00 Registration

9:00 – 9:30 Welcome & Announcement

9:30 – 11:00 Morgan Williams – Weight Loss, Hormone Balance & Over Use of HGH & HCG

**11:00 – 11:15 Quick Break**

11:15 – 12:00 Robert Zimmerman – Part I – Maximizing Profit from the Beginning

**12:00 – 1:00 Luncheon**

1:00 – 1:45 Robert Zimmerman – Part II – Maximizing Profit from the Beginning

1:45 – 2:30 Nova Law – Polycystic Ovarian Syndrome

**2:30 – 2:45 Quick Break**

2:45 – 3:30 Nova Law – Continue... Polycystic Ovarian Syndrome

3:30 – 4:00 Closing & Announcement

6:30 Awards Banquet Dinner – Business dress/ Semi-Formal

(Ladies –pant suit/dress/skirt & blouse or cocktail dress)

(Gentlemen – Sport coat or tie with trousers)

November 15th 2008

Saturday

**7:30 – 9:30 Breakfast Bar**

9:30 – 11:00 Gino Tutera – Part I – Pellet Problems with Solutions

**11:00-11:15 Quick Break**

11:15 – 12:00 Gino Tutera – Part II – Pellet Problems with Solutions

**12:00 – 1:00 Luncheon**

1:00 – 1:30 CarolAnn Tutera – Up Dates For SottoPelle Certified Physicians

1:30 – 3:00 Q & A time

3:00 – 3:15 Closing

Fig. 1 (Not to Scale)

86. At the November 2008 SottoPelle conference in Las Vegas, excerpted above as Figure 1, Defendant Dan Hale placed an order for over \$20,000 worth of hormone pellets.

87. Since graduating as an osteopath in 1974, Defendant Dan Hale has spent the overwhelming majority of his professional life in fields unrelated to hormone replacement. Defendant Dan Hale has been a family practitioner, an emergency room doctor, a pain clinic doctor,

not practicing medicine at all, a doctor performing mostly non-FDA approved cosmetic therapies, or a hair transplant doctor.

88. Defendant Dan Hale has no specialty board certification recognized by the Tennessee Department of Health. His limited training with hormone replacement therapy comes from a certification he received in 2007 from Cenegenics, a multi-level marketing company which teaches and sells “age management” techniques, and from the two-day SottoPelle conferences referenced above.

89. Advertisements for Defendant HRC Medical’s BHRT emphasized the central role that Defendant Dan Hale played in the development of Defendant HRC Medical’s BHRT. For example, in one commercial, Nashville television personality Charlie Chase stated the following on behalf of Defendant HRC Medical about Defendant Dan Hale’s experience concerning hormone replacement therapy:

CHARLIE CHASE: *Under the direction of one of the nation’s leaders in hormone replacement and my friend, Dr. Dan Hale*, HRC Medical has now made life better for more than 30,000 people all across the country. (emphasis added)

90. Defendant Dan Hale frequently spoke about Defendant HRC Medical’s BHRT in advertisements broadcast on television stations in Tennessee, on the Internet, and in other media, including speaking about its purported efficacy, benefits, lack of risks, lack of side effects, and safety, and its purported superiority compared to traditional hormone replacement therapy regimens.

91. Defendant Dan Hale also told other employees or contractors of Defendant HRC Medical or its franchisees what to say about Defendant HRC Medical’s BHRT.

92. Defendant Dan Hale had direct knowledge about the side effects and health risks of BHRT that were not disclosed in and that contradicted his statements and those made by others about

the purported efficacy, benefits, lack of risks, lack of side effects, and safety of Defendant HRC Medical's BHRT and its purported superiority to traditional hormone replacement therapy regimens.

93. In group meetings that Defendant Dan Hale attended, in documents that Defendant Dan Hale reviewed, and through in-person meetings, consumers or employees of Defendant HRC Medical told Defendant Dan Hale directly about side effects or serious health conditions that consumers experienced, which were not previously disclosed, clearly or conspicuously or otherwise, by Defendant HRC Medical in advertisements for its BHRT.

94. Through conversations and communication with employees of Defendant HRC Medical, Defendant Dan Hale also knew about significant quality-control problems at the compounding pharmacy that Defendant HRC Medical was using to provide the pellets for its BHRT, including with the consistency and absorption of pellet compression—a problem that makes the release of hormones unpredictable, risky, and potentially dangerous.

95. Defendant Dan Hale also received notice of the serious side effects associated with Defendant HRC Medical's BHRT in an action by the North Carolina Medical Board in 2011 that denied Defendant Dan Hale's application for reinstatement of his medical license.

96. Defendant Dan Hale actively participated in, had knowledge of, or had control of the conduct, as set forth above and below. Defendant Dan Hale acted without good faith as set forth above and below.

97. Following highly-publicized negative press stories and inquiries about Defendant HRC Medical and Defendant Dan Hale, Defendant HRC Medical stated in a media response and press release that Defendant Dan Hale had retired and was no longer affiliated with the company.

98. Defendants HRC Medical, Don Hale, and Dan Hale intentionally tried to conceal Defendant Dan Hale's continued financial connection to HRC Medical by falsely representing that Defendant Dan Hale was no longer affiliated with the company by paying Dan Hale as an "independent contractor" beginning in March and continuing until December 2012, in almost exactly the same amount that he was paid in wages before and by transferring his shares in Defendant HRC Medical to a revocable trust he controlled with his daughter as trustee.

**DEFENDANT DANA HELTON IN HER CAPACITY AS TRUSTEE  
FOR THE CARDINAL REVOCABLE TRUST**

99. Defendant Cardinal Revocable Trust is a revocable trust that Defendant Dan Hale set up with Dana Helton, Defendant Dan Hale's daughter and Defendant HRC Medical's General Counsel, as Trustee.

100. Defendant Dan Hale, who was previously convicted in 1995 on twenty-one felony counts of racketeering, conspiracy to engage in racketeering, insurance fraud, Medicare fraud, and Medicaid fraud, told staff members that he would form a trust to protect his assets if he ever got in trouble again.

101. Defendant Cardinal Revocable Trust was formed on March 5, 2012, by Defendant Dan Hale following highly-publicized negative press stories and inquiries about the company from governmental regulators.

102. Shortly thereafter, Defendant Cardinal Revocable Trust replaced Defendant Dan Hale as a 50% shareholder in Defendant HRC Medical. The trust was set up to hide Defendant Dan Hale's continued financial affiliation with Defendant HRC Medical and for the purpose of shielding assets from creditors.

103. The trust document itself shows that the Cardinal Revocable Trust is merely an extension of Defendant Dan Hale. Under the trust:

The spendthrift provisions do not apply to Defendant Dan Hale, the Grantor;

Defendant Dan Hale reserves the "absolute and uncontrolled right and power to act alone to take or omit to take any action with regard to sales, investments, retention of assets, or any other matter or matters relating to the administration of the trust estate or the investment or reinvestment of property constituting the trust estate; and

Defendant Dan Hale reserves the right to revoke the trust agreement in its entirety during his lifetime, as well as the right to withdraw all or such part of the assets then constituting the trust estate and the right to amend, alter, or modify the trust agreement.

104. Defendant Cardinal Revocable Trust through its Trustee, Dana Helton and Defendant Dan Hale, have been complicit in and actively participated the sale of basically all of Defendant HRC Medical's assets to Defendant Legacy, and the sale all of Defendant's HRC Medical's assets for the Nashville clinic to Defendant Bella Vita.

105. Defendant Cardinal Revocable Trust through its Trustee, Dana Helton, was a principal figure in the execution of the Legacy asset purchase and the Bella Vita asset purchase. Further, Defendant Dan Hale had direct knowledge of and approved of these transactions.

#### **DEFENDANT BONNIE HALE**

106. Defendant Bonnie Hale is Defendant Dan Hale's wife. She resides at 255 Rock Point Drive, Vonore, Tennessee 37885-2068.

107. Defendant Bonnie Hale has never been employed by Defendant HRC Medical or acted in any other capacity on behalf of Defendant HRC Medical.

108. Yet, Bonnie Hale has had a total of at least \$524,000 wired and made payable only to her from Defendant HRC Medical bank accounts on transfers occurring shortly before each scheduled hearing on the State's motions for a temporary injunction and a receiver.

109. Defendant Dan Hale intentionally had payments to him wired to Defendant Bonnie Hale in an attempt to shield the monetary transfers from liability from the State's action and other creditors.

#### **DEFENDANT DON HALE**

110. Defendant Don Hale resides at 650 Lysander Court, Brentwood, Tennessee.

111. Defendant Don Hale, who is Defendant Dan Hale's brother and a former boxing promoter, was the President and Chief Executive Officer of Defendant HRC Medical, Inc. and was the most recently listed registered agent of Defendant HRC Medical.

112. After seeing BHRT as a potential profit source for Defendant HRC Medical, Defendant Don Hale sought out Trina Lonning, an unlicensed individual with a medical assistant's certificate from the Nashville Court Reporting Academy who worked at another BHRT provider. Defendant Don Hale hired Ms. Lonning to set up Defendant HRC Medical's entire BHRT program, teach Defendant Dan Hale about BHRT, sell BHRT to consumers, establish dosing for Defendant HRC Medical's BHRT, conduct blood hormone draws for Defendant HRC Medical's BHRT, and administer the pellet injections of the BHRT itself. In front of other employees of Defendant HRC Medical, Defendant Don Hale openly praised Trina Lonning for setting up and bringing him the hormone replacement therapy business.



113. Defendant Don Hale approved advertisements for Defendant HRC Medical's BHRT and authorized discounts for the therapy for consumers who appeared in advertisements for Defendant HRC Medical's BHRT.

114. Defendant Don Hale spoke about Defendant HRC Medical's BHRT in advertisements, including about its purported efficacy, benefits, lack of risks, lack of side effects, and safety, and its superiority to traditional hormone replacement therapy regimens.

115. In meetings that Defendant Don Hale attended, in conversations that Don Hale had, and in correspondence that Defendant Don Hale received and acknowledged, employees of Defendant HRC Medical told Defendant Don Hale directly about safety concerns, risks, and side effects that consumers experienced, which were not previously disclosed, clearly and conspicuously or otherwise, by Defendant HRC Medical in advertisements for its BHRT.

116. Defendant Don Hale had direct knowledge about the side effects and health risks of BHRT that were not disclosed in and that contradict his statements and those made by others about the purported efficacy and benefits of Defendant HRC Medical's BHRT and its purported superiority to traditional hormone replacement therapy regimens. As one example, Defendant Don Hale directly told Andrea Bernard, Defendant HRC Medical's most successful sales consultant, when her sales numbers started to decline after she began telling consumers that they were not candidates for BHRT and started making health risk and side effect disclosures, not to talk so much, not to sound so "medical" and "clinical," and specifically not to mention the risk of cancer and infertility for fear of scaring off potential consumers.

117. Defendant Don Hale developed Defendant HRC Medical's "no refund" policy, and implemented a system in which only he and his wife, Dixie, authorized refunds. In practice,

Defendant Don Hale and his wife denied refunds to consumers who complained about side effects associated with Defendant HRC Medical's BHRT and those who were diagnosed with cancer while taking the therapy. During this process, Defendant Don Hale was notified of side effects and serious health conditions that consumers of Defendant HRC Medical's BHRT experienced.

118. Additionally, after sending samples from Solutions Pharmacy to MasterPharm, a compounding pharmacy that had not previously sold hormone pellets and reaching an exclusive supplier agreement with MasterPharm in which Defendant HRC Medical received \$1 per pellet sold and paid for by any HRC-branded clinic, Defendant Don Hale changed Defendant HRC Medical's compounding pharmacy supplier of its BHRT pellets from Solutions Pharmacy to MasterPharm.

119. Through conversations and communication with employees of Defendant HRC Medical, including Trina Lonning, Defendant Don Hale also knew about significant quality-control problems at the compounding pharmacy that Defendant HRC Medical used to provide the pellets for its BHRT, including with the consistency of pellet compression and absorption of pellets.

120. Defendant Don Hale made hiring and firing decisions for Defendant HRC Medical, including for its sales consultants who provided sales pitches for Defendant HRC Medical's BHRT.

121. Defendant Don Hale placed Defendant HRC Medical's top sales consultants for its BHRT, Amanda Garrett and Andrea Bernard, on a *100% sales commission compensation structure*. Under the structure, Ms. Garrett and Ms. Bernard *were not paid unless they closed a sale*. Further, Defendant Don Hale instituted a policy in which sales consultants had to meet sales quotas for BHRT.

122. Defendant Don Hale regularly reviewed *daily* sales conversion ratios reflecting the number of sales made for BHRT compared with the total number of appointments and indicated that sales consultants would be terminated if their sales conversion ratios did not improve.

123. In addition, as shown below in Figures 2-6, many of the advertisements used by Defendant HRC Medical were recorded in Defendant Don Hale's office with his knowledge, approval, and sometimes in his presence.

Fig. 2  
(Not to  
Scale)

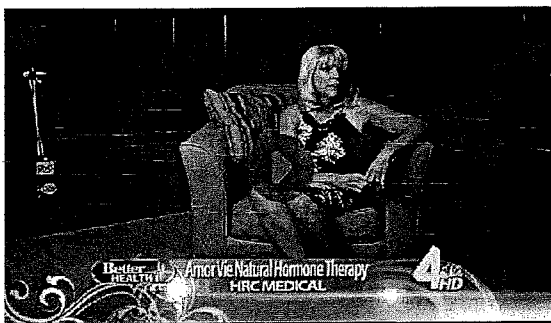


Fig. 3  
(Not to  
Scale)

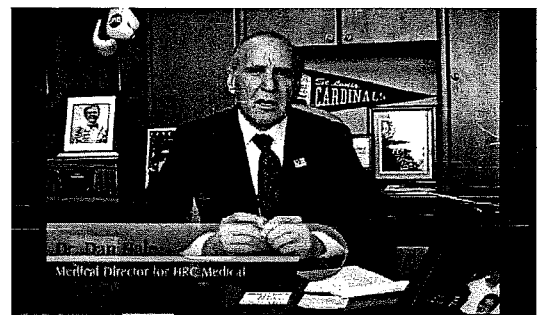


Fig. 4  
(Not to  
scale)



Fig. 5  
(Not to  
Scale)



Fig. 6 (Not  
to scale)



124. In addition, Defendant Don Hale appeared at meetings of an Advisory Task Force created by the Tennessee Department of Health, which, among other things, discussed unsubstantiated benefit, safety, and superiority claims made by BHRT providers including Defendant HRC Medical.

125. Defendant Don Hale actively participated in, had knowledge of, or had control of the conduct, as set forth above and below. Defendant Don Hale acted without good faith as set forth above and below.

**DEFENDANT DIXIE HALE, INDIVIDUALLY AND DOING BUSINESS AS  
SOUTHERN BELLE CONSULTING, LLC**

126. Defendant Dixie Hale is Defendant Don Hale's wife who resides at 650 Lysander Court, Brentwood, Tennessee.

127. Defendant Dixie Hale is Defendant HRC Medical's former Chief Administrative Officer who, among other things, oversaw Defendant HRC Medical's accounts payable functions.

128. Before the entry of the receivership order, Defendants Dixie Hale and Don Hale had the ultimate authority to pay bills at Defendant HRC Medical.

129. After the filing of the State's lawsuit, Defendant Dixie Hale generally decided to stop paying most bills, and specifically selected the creditors or vendors that she wanted to pay.

130. After the filing of the State's lawsuit, Defendant Dixie Hale, with full knowledge and approval by Defendant Don Hale, received and cashed checks consisting of the monthly percentage payments of gross revenue from joint venture partners that had been paid to Defendant HRC Medical by prior agreement.

131. With Defendant Don Hale's full knowledge and approval, Defendant Dixie Hale received these payments of the monthly percentage of gross revenue from joint venture partners through checks made payable to herself, to "Southern Belle Consulting, LLC," which is not known to have been formed as a limited liability corporation anywhere, and to "MadMac Consulting, LLC," which is also not known to have been formed as a limited liability company anywhere.

132. In late November 2012, Defendant Dixie Hale had approximately \$30,000 in checks from joint venture partners made payable to her, which she deposited in a personal bank account to which she had access.

133. Defendant Dixie Hale also received and cashed checks from the joint venture partners for use of SalesForce, a customer relations software tool, which had been paid for by Defendant HRC Medical. Before the filing of the State's lawsuit, these checks were made out to Defendant HRC Medical, but soon after the filing the checks were made out to Defendant Dixie Hale or Defendant Dixie Hale's doing business as name "Southern Belle Consulting."

134. Using her access to Defendant HRC Medical's bank accounts, Defendant Dixie Hale had two cashier's checks totaling \$489,000 issued from a Defendant HRC Medical bank account and then placed into a personal account jointly held by her and her husband, Defendant Don Hale, shortly before scheduled hearings on the State's motions for temporary injunction and receivership.

**DEFENDANT MICHAEL MONTEMURRO  
DOING BUSINESS AS MADMAC CONSULTING, LLC**

135. Defendant Michael Montemurro is a resident of Florida, who previously worked in Tennessee at Defendant HRC Medical's Franklin office as Defendant HRC Medical's Chief Operating Officer.

136. Among other things, Defendant Montemurro attended and recorded the minutes of a meeting on August 4, 2012, with Defendant HRC Medical's joint venture partners that referenced "selling" the ownership interest in the JV centers that tied Don Hale or HRC to those centers "due to upcoming events," discussed selling the 100% corporate-owned centers to another entity/caretaker, referenced the Hale name being "tarnished in the circles of the regulatory and media world," and asked for interested parties in the plan to sign a notice of intent, which he, Defendant Don Hale, Grisel Wiley, Shane Dodgen, and others did.

137. Defendant Montemurro was heavily involved in Defendant HRC Medical's transfer of its wholly-owned clinic locations to Defendant Legacy. Among other things, he helped create and organize presentations on Defendant HRC Medical's transition to Legacy, helped create BHRT promotions for Legacy, acted in a management role for Legacy's centers, and did other miscellaneous tasks to complete the transition to Legacy.

138. Defendant Michael Montemurro also created the doing business as name "MadMac Consulting, LLC" as an indirect way to provide funds to Defendants Don Hale and Dixie Hale.

139. MadMac Consulting's Fifth Third bank account was set up in Tennessee and has at least Michael Montemurro and Julie Boyett as signatories.

#### **BACKGROUND OF HRC MEDICAL CENTERS, INC.**

140. On August 16, 2004, Defendant Dan Hale, his wife Bonnie, and another individual incorporated Defendant HRC Medical in Tennessee under the name "Hair Restoration Centers of Tennessee, Inc."

141. Under the original corporate filing in 2004, Defendant Dan Hale was listed as the Secretary/Vice President.

142. As originally designed, Defendant HRC Medical was supposed to provide hair restoration services. At the time, the abbreviation “HRC” was used to mean “hair restoration centers.”

143. On its 2005, 2006, and 2007 Corporation Annual Reports filed with the Tennessee Secretary of State, Defendant HRC Medical listed Defendant Dan Hale as President and Defendant Don Hale as Secretary.

144. During this time, Defendant HRC Medical also began providing cosmetic procedures, such as a purported water-based liposuction alternative—an offering that Defendant HRC Medical’s sales consultants described as being expensive, extremely painful, ineffective, and “the biggest joke there was.”

145. Around this time, Defendant Don Hale met with Trina Lonning, an individual who worked at New Life Physicians, another BHRT provider, to discuss the possibility of setting up a hormone replacement therapy practice at Defendant HRC Medical. After meeting with Ms. Lonning, Defendant Dan Hale traveled to a conference sponsored by representatives of SottoPelle, an Arizona-based BHRT provider. When Defendant Dan Hale returned from the conference, Defendant HRC Medical added BHRT to its consumer offerings. Defendant Don Hale, with Defendant Dan Hale’s knowledge and approval, asked Ms. Lonning, an unlicensed medical assistant, to create, implement, and oversee Defendant HRC Medical’s BHRT program.

146. On its 2008 Corporation Annual Report filed with the Tennessee Secretary of State, Defendant HRC Medical listed Defendant Don Hale as President and Defendant Dan Hale as Secretary.

147. Before 2009, Defendant HRC Medical conducted business under the names “HRC Med Spa” and “Health Restoration Centers.”

148. In 2009, Defendant HRC Medical officially changed its name on its corporate filings with the Tennessee Secretary of State from Hair Restoration Centers of Tennessee, Inc., to HRC Medical Centers, Inc.

149. On its 2009 Corporation Annual Report filed with the Tennessee Secretary of State, Defendant HRC Medical listed Defendant Dan Hale as President and Defendant Don Hale as Secretary.

150. On its 2011 Corporation Annual Report, the company changed its registered agent from Defendant Dixie Hale to Defendant Don Hale.

151. On March 29, 2011, Defendant HRC officially registered the service mark “Amor Vie” with the United States Patent and Trademark Office for its BHRT therapy. The Amor Vie service mark has registration number 3937287 and was used starting June 28, 2010. In the translations component of the service mark registration, Defendant HRC Medical stated, “The English translation of ‘AMORE [sic] VIE’ is ‘LOVE LIFE,’” which refers to the purported libido-enhancing benefit of the testosterone component of its BHRT.

### **BACKGROUND ON HORMONES**

152. For most women, Defendant HRC Medical’s BHRT consisted of varying combinations of three forms of hormones: estrogen, progesterone, and mega-doses of testosterone. For men, Defendant HRC Medical’s BHRT contained mega-doses of testosterone.

153. Hormones are substances produced by the human body that control how certain organs function. Hormones circulate throughout the human body to coordinate a wide variety of



complex processes including fertility and growth. Hormones are secreted directly into the blood by the glands that create and store them to regulate metabolic processes throughout the body (e.g. insulin) or in specific target organs (e.g. estrogen). Hormones bind with receptors in cells, which creates a response in the cells or tissues. While all cells and tissues are exposed to hormones circulating in the bloodstream, only those cells possessing specific receptors will exhibit a biological response to that hormone.

154. The human body responds to sex hormones including estrogen, progesterone, and testosterone in very complicated ways that, in some instances, are not fully understood by medical science—*especially when given in combination. Some of the effects that a given sex hormone may have in isolation may be amplified or mitigated by another hormone.*

155. In both men and women, blood hormone levels can vary even within a given day.

156. Estrogen is a general term to describe a class of female sex hormones, which are primarily seen in the body in the form of estradiol, estrone, and estriol. The ovaries produce estradiol, which is metabolized into another estrogen called estrone. Estriol is another form of estrogen metabolized from estradiol, which is weaker than the other two but still active.

157. Estrogen, including estradiol, in sufficient doses, may increase a woman's risk of developing endometrial cancer (cancer of the uterine lining), hyperplasia (abnormal cell growth), and other conditions.

158. Progesterone is a female sex hormone produced by the ovaries following ovulation, which helps prepare the lining of the uterus to receive an egg if it becomes fertilized by sperm. If fertilization does not take place, progesterone levels drop and menstrual bleeding begins.

159. Progesterone, in sufficient doses, reduces the risk of endometrial cancer associated with estrogen and is most often prescribed in combination with estrogen to women who still have their uteri. In addition to lessening the beneficial effects of estrogen on a number of tissues, progesterone is known to carry its own risks, such as a possible risk of breast cancer. As a result, any therapeutic benefit of progesterone is generally outweighed by potential risks for women who no longer have their uteri.

160. There are several commercial progesterone products on the market. Progestin is the name for a type of synthetic progesterone, which is most commonly seen as medroxyprogesterone acetate ("MPA"). Some progesterone preparations consist of micronized progesterone meaning that the particle size of the progesterone compound is reduced.

161. Testosterone is known mainly as a male sex hormone but is also found in much smaller amounts in women. In men, testosterone plays an integral role in the development of male reproductive tissues found in the testicles, prostate, and penis. Testosterone also promotes secondary sex traits such as hair growth.

162. In women, testosterone is produced in much smaller amounts in the ovaries. In women, the enzyme aromatase converts testosterone into estrogen with the lower amounts of testosterone that are naturally produced by the body. This conversion can cause the use of supplemental testosterone to create side effects associated with excessive levels of estrogen. Supplemental testosterone, in sufficient levels, that is not converted to estrogen by the enzyme aromatase, may create excessive levels of testosterone in the female body.

163. Testosterone increases the number of red blood cells circulating in the body for both men and women. The main function of red blood cells is to carry oxygen in the blood to various cells in the body. The higher number of red blood cells allows oxygen to get to cells faster and may reduce the feeling of fatigue during and after a difficult workout. This effect is why some professional athletes have sought to “dope” their blood using high doses of testosterone or various derivatives or analogs.

164. However, supplemental testosterone acts as an anabolic steroid in both men and women and is associated with a number of side effects. In both men and women, potential adverse effects from excessive levels of testosterone may include lowering of the voice, hair loss on the head, hair growth on other parts of the body including the face, chest, and buttocks, tissue edema (observable swelling from fluid accumulation in body tissues), changes in lipids, and psychological changes including anger or aggressive behavior.

165. Shortly before the State filed suit, Defendant HRC Medical started to reference, albeit inconspicuously and incompletely, that its BHRT may increase an individual’s hematocrit and hemoglobin levels. Hemoglobin is the protein contained in red blood cells that is responsible for the delivery of oxygen to the tissues. Hematocrit measures the volume of red blood cells compared to the total blood volume (red blood cells and plasma). High hematocrit levels for a sufficient duration increases an individual’s risk of developing a blood clot, stroke, or other cardiovascular problems, which has not been disclosed by Defendant HRC Medical. These risks are even more pronounced in individuals with already high hematocrit level or those who have a red blood cell disorder.

166. In the areas of new hair growth, testosterone permanently causes the creation of new hair follicles meaning that unwanted new hair follicles will have to be removed or destroyed by

electrolysis or other means before they will go away.

167. In both men and women, testosterone often produces weight gain and an increase in one's appetite.

168. In women, high levels of testosterone can cause a permanent enlargement of the clitoris, which can be extremely uncomfortable and make even wearing pants painful.

169. In men, the introduction of supplemental testosterone to the body has a cascading effect on the hormone production centers within a man's body, which, with sufficient use, can ultimately result in the end of a man's ability to produce his own testosterone.

170. Additionally, in men, prolonged exposure to high levels of testosterone can cause testicular atrophy, impotency, and the development of breast tissue similar in appearance to that found in women.

### **BACKGROUND ON HORMONE REPLACEMENT THERAPY**

171. Hormone replacement is a therapy designed to restore some of the hormones lost to the aging process or as a result of surgical menopause. While sex hormone levels in men decrease with age, hormone replacement therapy is most commonly associated with and prescribed to menopausal women.

172. The amount of estrogen produced by a woman's body is regulated by the ability of the ovaries to respond to stimulation. When the ovaries are no longer able to produce estrogen, menstruation stops and this is known as menopause.

173. Menopause is associated with a variety of physical symptoms including hot flushes, painful intercourse due to vaginal dryness from loss of lubrication and loss of connective tissue in the vaginal wall resulting in decreased elasticity in the vagina, and increased risk of bone loss or

osteoporosis. A hot flush is a sudden feeling of heat that spreads over the face and body. During a hot flush, a woman may break out in a sweat or her skin may redden. Hot flushes can last from a few seconds to several minutes or longer. Hot flushes may occur a few times a month, or several times a day, and they can occur at any time, day or night. When they occur at night, they are known as "night sweats."

174. For some women who experience moderate to severe hot flushes, vaginal dryness, or osteoporosis, hormone replacement therapy may be appropriate as a treatment option.

175. Historically, the estrogen that has been used in traditional hormone replacement therapy regimens has been conjugated equine estrogen ("CEE"), which blends many different forms of estrogen from the urine of a pregnant horse, and a progestin (usually MPA) for women with intact uteri.

176. These traditional HRT products, such as Premarin, Prempro, and Premphase, and others have been approved and indicated for use by the FDA at the *lowest* effective dose for the *shortest* duration possible consistent with the treatment goals of the individual patient to treat moderate to severe night sweats or hot flushes, vaginal dryness, and osteoporosis, though the FDA encourages practitioners to consider other treatment options first because of the serious health risks associated with HRT.

177. More recently, some pharmaceutical companies have developed an estradiol skin patch. This is usually coupled with progesterone in oral tablet form in women who still have their uteri.

178. No pharmaceutical company manufactures a hormone replacement therapy product for women that combines estrogen, progesterone, and mega-doses of testosterone.

179. No pharmaceutical company manufactures a hormone replacement therapy product for men that includes mega-doses of testosterone.

180. Some women have absolute contraindications to hormone replacement therapy that compound existing risk. These contraindications mean that the therapy is inappropriate and may result in additional increased health risks or increased risk of death, including women who have had breast or endometrial cancer, and women with a history of thromboembolic disease such as deep vein thrombosis or pulmonary embolism.

181. Prior to 1990, the main use of HRT in post-menopausal women was to treat symptoms of menopause and to prevent osteoporosis.

182. In the 1990s, following a series of observational studies and the promotion of purported cardiac benefits by commercial pharmaceutical manufacturers, medical doctors began to increasingly prescribe HRT to prevent coronary heart disease.

183. The National Institutes of Health, an agency within the United States Department of Health and Human Services, thought that the use of HRT to prevent coronary heart disease exceeded the scientific evidence, and initiated the Women's Health Initiative ("WHI"), a multi-year clinical study testing 16,000 women ages 50 to 79, to test the hormones covered by prior observational studies—namely CFE and MPA.

184. The WHI study tested estrogen alone and estrogen used in combination with progestin, both delivered orally.

185. The WHI study found that neither estrogen-only nor the combination therapy protected women from coronary heart disease.

186. In 2002, NIH stopped the WHI combination trial study early for ethical concerns because of data showing an increased risk of breast cancer, heart disease, stroke, and blood clots among participants, which crossed the agreed-to patient risk threshold for breast cancer. The WHI combination trial study also showed no protection against mild cognitive impairment, and actually showed an increased risk of dementia.

187. Likewise in 2004, the NIH also stopped the estrogen-only trial prematurely because of data showing an increased risk of stroke, increased risk of blood clots, and no benefit for coronary heart disease among participants.

188. As a result of the WHI study, the FDA added a black box warning to Premarin, a CEE product produced by Wyeth Pharmaceuticals, Inc. (later purchased by Pfizer Pharmaceuticals, Inc.), Prempro, a combination CEE and MPA tablet also produced by Wyeth Pharmaceuticals, Inc. (later purchased by Pfizer Pharmaceuticals, Inc.), and Premphase, another combination conjugated estrogen and medroxyprogesterone product produced by Wyeth Pharmaceuticals, Inc. (later purchased by Pfizer Pharmaceuticals, Inc.), which states:

#### Cardiovascular and other risks

Estrogens with or without progestins should not be used for the prevention of cardiovascular disease. The Women's Health Initiative (WHI) reported increased risks of myocardial infarction [heart attack], stroke, invasive breast cancer, pulmonary emboli, and deep vein thrombosis in postmenopausal women during 5 years of treatment with conjugated equine estrogens (0.625 mg) combined with medroxyprogesterone acetate (2.5 mg) relative to placebo) . . . . Other doses of conjugated estrogens and medroxyprogesterone acetate and other combinations of estrogens and progestins were not studied in the WHI, and, in the absence of comparable data, these risks should be assumed to be similar. *Because of these risks,*

*estrogens with or without progestins should be prescribed at the lowest effective doses and for the shortest duration consistent with treatment goals and risks for the individual woman. (emphasis added)*

189. After stopping the WHI study, the NIH continued to collect follow-up study data from participants to evaluate the effects of stopping the combination CEE plus progesterone therapy. Follow-up information for the period July 8, 2002, to March 31, 2005, was available on 95% of the women who had taken combination hormone therapy.

190. Based on the follow-up analysis of combination therapy users, some of the health effects such as an increased risk of heart disease appeared to diminish following cessation of the therapy, but overall risks—including risks of stroke, blood clots, and breast cancer—remained high.

191. Based on this data, the WHI's global index that summarized risk and benefits was unchanged, showing that the health risks exceeded the health benefits from the beginning of the study through the end of the three-year follow-up period. The follow-up analysis after the study was stopped confirmed the WHI's main conclusion that combination therapy should not be used to prevent disease in healthy, post-menopausal women.

#### **BACKGROUND ON BIO-IDENTICAL HORMONE REPLACEMENT THERAPY**

192. In 2002, the same year as the WHI study stopped, the United States Supreme Court, in *Thompson v. Western States*, 535 U.S. 357 (2002), affirmed a Ninth Circuit ruling striking down a prohibition under the FDA Modernization Act that prohibited compounding pharmacies from advertising or promoting specific compounding drugs.

193. Following the 2002 ruling and other rulings restricting FDA-enforcement of compounding pharmacies, the fallout from the WHI study, as well as support from BHRT celebrity proponents like Suzanne Somers (whom Defendant HRC Medical and Defendant Dan Hale have



referenced approvingly), compounding pharmacies and BHRT providers began to market BHRT much more aggressively. Presumably, this more aggressive marketing was a result of some combination of a perceived low-risk of claim enforcement by the FDA, the increasing number of baby boomers reaching menopause or andropause, the fear these consumers had about commercial pharmaceutical hormone replacement therapy from news reports about the WHI study termination, and because of the increased consumer receptiveness to “natural” or “organic” marketing claims.

194. As a result of aggressive marketing campaigns created by alternative regimen BHRT providers and compounding pharmacists, the FDA and many well-respected medical societies, entities, and individuals have publicly responded by challenging the substantiation for these claims in articles and position statements directed to consumers and other medical professionals.

195. For example, the FDA has stated the following:

‘A natural, safer alternative to dangerous prescription drugs’

‘Can slim you down by reducing hormonal imbalances’

‘Prevents Alzheimer’s disease and senility’

All of these claims have been made by marketers of compounded “bio-identical” hormones, also known as “bio-identical hormone replacement therapy” (BHRT). *But these claims are unproven. FDA is concerned that claims like these mislead women and health care professionals, giving them a false sense of assurance about using potentially dangerous hormone products. . . .*

Myth: “Bio-identical” hormones are safer and more effective than FDA-approved [Menopausal Hormone Replacement Therapy] drugs.

Fact: *FDA is not aware of any credible scientific evidence to support claims made regarding the safety and effectiveness of compounded “BHRT” drugs. ‘They are not safer just because they are ‘natural,’”* says Kathleen Uhl, M.D. Director of FDA’s Office of Women’s Health. . . . (emphasis added).

196. The Endocrine Society, a well-respected medical society composed primarily of doctors who study the effect of hormones on the human body, has said the following about BHRT:

“Bio-identical hormones,” particularly estrogen and progesterone, have been promoted as safer and more effective alternatives to more traditional hormone therapies, often by people outside of the medical community. *In fact, little or no scientific and medical evidence exists to support such claims about “bioidentical hormones.”* Additionally, many “bioidentical hormone” formulations are not subject to FDA oversight and can be inconsistent in dose and purity. As a result of unfounded but highly publicized claims, patients have received incomplete or incorrect information regarding the relative safety and efficacy of hormone preparations that are referred to as “bioidentical.” . . . *No medical or scientific evidence exists to support the idea that the adverse and/or beneficial effects found in the WHI results from the molecular structure of the synthesized hormones, nor is there any sound scientific evidence to show that a different or “customized” dose of hormones would have changed the outcome. If dosage and purity were equal, then all estrogen-containing hormone therapies, “bioidentical” or “traditional,” would be expected to carry essentially the same risks and benefits . . . [Bioidentical providers] also allege that customized “bioidentical hormones” are safer and more effective than modified hormones synthesized under close FDA supervision. These claims are not supported by scientific data. . . . The Endocrine Society is concerned that patients are receiving potentially misleading or false information about the benefits and risks of “bioidentical hormones. . . .”* (emphasis added)

197. Similarly, the Committee on Gynecologic Practice of the American Congress of Obstetricians and Gynecologists (“ACOG”) issued a position statement in November 2005, which was reaffirmed in 2007, stating the following, in relevant part:

*Most compounded products have not undergone rigorous clinical testing for safety or efficacy, and issues regarding purity, potency, and quality are a concern. Compounded hormone products have the same safety issues as those associated with hormone therapy agents that are approved by the U.S. Food and Drug Administration and may have additional risks intrinsic to compounding. There is no scientific evidence to support claims of increased efficacy or safety for individualized estrogen or progesterone regimens.* (emphasis added)

198. More recently, ACOG’s Committee on Gynecologic Practice and the American Society for Reproductive Medicine Committee issued a position paper (updating the 2005 and 2007 statements), which concludes:

- *Evidence is lacking to support superiority claims of compounded bioidentical hormones over conventional menopausal hormone therapy.*

- *Customized compounded hormones pose additional risks. These preparations have variable purity and potency and lack efficacy and safety data.*
- Because of variable bioavailability and bioactivity, both underdosage and overdosage are possible.
- Conventional hormone therapy is preferred over compounded hormone therapy given the available data.
- *Despite claims to the contrary, evidence is inadequate to support increased efficacy or safety for individualized hormone therapy regimens based on salivary, serum, or urinary testing.* (emphasis added)

199. The Council on Science and Public Health within the American Medical Association

has stated the following, in relevant part:

Based on systematic reviews conducted by the IOM and the Endocrine Society, as well as the Council's evaluation of seven more recent randomized, placebo-controlled clinical trials, *definitive evidence of the value of testosterone as an antiaging therapy in older men does not exist, and further research is indicated.* Estrogens with or without progestins are highly effective in treating the vasomotor symptoms associated with menopause. *However, primarily based on the Women's Health Initiative (WHI), a large, randomized, placebo-controlled, primary (chronic condition) prevention clinical trial in postmenopausal women, the long-term use of estrogens with or without progestins causes more risks than benefits in [these] populations. No credible scientific evidence exists on the value of so-called "bioidentical hormones," and there are concerns about their purity, potency and quality because they are not approved by the FDA.* (emphasis added)

200. The North American Menopause Society ("NAMS") has likewise stated the following, in relevant part:

The US Food and Drug Administration (FDA) has ruled that compounding pharmacies have made claims about the safety and effectiveness of BHT unsupported by clinical trial data and considered to be false and misleading. . . . *NAMS recommends that filled prescriptions for BHT should include a patient package insert identical to that required for products that have regulatory agency approval. In the absence of efficacy and safety data for any specific prescription, the generalized benefit-risk ratio data of commercially available HT products should apply equally to BHT.* For the vast majority of women, regulatory agency-approved HT will

provide appropriate therapy without the risks and cost of custom preparations.  
(emphasis added)

201. The American Association of Clinical Endocrinologists (“AACE”) has echoed this skepticism, stating the following, in relevant part:

*AACE expresses concerns about unproven but highly publicized claims about the alleged higher safety and efficacy of compounded bioidentical hormones. In addition, from a clinician’s perspective, AACE believes that potentially serious dangers of BH use have not been sufficiently exposed. The primary concern about bioidentical hormone use is patient safety. These substances have not been shown within the medical community to be clinically effective. In addition, utilization of these formulations may be associated with various risks inherent to the compounding process. The exaggerated claims about efficacy and safety of BH are made despite clear evidences of variability in potency, high potential for contamination and impurity of those preparations. Also, some unorthodox clinical practices utilized by BH promoters are quite worrisome. Those practices include individualized dosing frequently based upon unproven testing methods such as salivary assays, which has not been validated. Finally, the cost effectiveness of this modality requires careful consideration.*

#### Exaggerated Claims about Efficacy and Safety

*The public has been persuaded that treatment with bioidentical hormones has to be safer, more effective, and free of side effects since those preparations are “natural.” Those are the main claims of the proponents of the “bioidentical” approach to menopausal hormone therapy. Those assertions have been made in popular publications or disseminated via the Internet. They have not been properly peer-reviewed or subjected to formal scientific scrutiny. A systematic review of the current scientific literature does not appear to support these notions. Well designed studies in this area are needed. Until evidence-based, scientific studies are available, the existence of meaningful differences between “bioidentical” and conventional hormones remains to be established. (emphasis added)*

202. Dr. Mary Gallenberg, an assistant professor at the Mayo Clinic’s College of Medicine and a consultant in the Department of Obstetrics and Gynecology at the Mayo Clinic, has echoed this sentiment, stating the following, in relevant part:

Are bioidentical hormones safer and more effective than hormones used in traditional hormone therapy for menopause symptoms? Answer from Mary M. Gallenburg, M.D. *No they aren’t.* The term ‘bioidentical’ means the hormone in the product are chemically identical to those your body produces. In fact, they are – but so are the

hormones used in many FDA-approved hormone replacement products. *According to the Food and Drug Administration (FDA) and several medical specialty groups, bioidentical hormones may be riskier than are hormones used in standard hormone therapy, and there's no evidence they're any more effective . . .* Some women may benefit from nonstandard doses and forms of hormones in bioidentical hormone preparations, *but there is almost no scientific support for an advantage of these compounds over common commercially produced preparations.* (emphasis added)

203. Likewise, the American Cancer Society has stated the following, in relevant part:

The word bioidentical is sometimes used to describe versions of estrogen and progestin with the same chemical structure as those found naturally in people. The use of these hormones has been marketed as a safe way to treat the symptoms of menopause. *It is important to realize that although there are few studies comparing "bioidentical" or "natural" hormones to synthetic versions of hormones, there is no evidence that they are safer or more effective. The use of these bioidentical hormones should be assumed to have the same health risks as any other type of hormone therapy.* (emphasis added)

#### **BACKGROUND OF DEFENDANT HRC MEDICAL'S ALTERNATIVE REGIMENS OF BIO-IDENTICAL HORMONE REPLACEMENT THERAPY**

204. Defendant HRC Medical's bio-identical hormone replacement therapy was a purported alternative to traditional commercial hormone replacement therapy, which supplies the body with hormones depleted through the aging process.

205. TCPA Defendants used the term "bio-identical" to mean that the hormones contained in BHRT pellets were molecularly identical to the hormones that are naturally produced in men and women. While some commercial hormone products produced by pharmaceutical companies may meet this definition, the term has been used so often by those who provide alternative regimens of hormone replacement therapy that the word "bio-identical" has become shorthand for the alternative regimens of hormone replacement therapies themselves.

206. Aside from “bio-identical,” Defendants have also used the term “bio-available,” “bio-natural,” “Natural Hormone Replacement Therapy,” or “bio-equivalent” to describe Defendant HRC Medical’s BHRT. For purposes of this Complaint, “BHRT” encompasses all of these terms.

207. Defendant HRC Medical’s BHRT differed from the HRT products produced by pharmaceutical companies in at least six fundamental ways. First, Defendant HRC Medical’s BHRT for women included mega-doses of testosterone which are not found in any HRT product. Second, Defendant HRC Medical’s BHRT, in essence, treated blood hormone levels outside Defendants’ elevated target ranges as pathological conditions as opposed to focusing on symptom relief and global or specific risks to the consumer. Third, unlike HRT, Defendant HRC Medical encouraged a long-term, perpetual use of BHRT, which dramatically increases safety concerns and risks. Fourth, unlike HRT, Defendant HRC Medical’s BHRT was marketed to healthy, young women in their twenties, thirties, and forties who are not close to menopause. Defendant HRC Medical’s BHRT was also marketed to healthy, young men in their teens, twenties, thirties, and forties. Fifth, Defendant HRC Medical’s BHRT was created by compounding pharmacies that, unlike pharmaceutical companies, are not subject to FDA regulations governing good manufacturing practices, which are designed to improve quality control by standardizing potency, eliminating or reducing the presence of foreign contaminants, and creating a consistent end-product. Defendant HRC Medical has had quality control problems with the hormone pellets it has used—problems of which Defendant Don Hale and Defendant Dan Hale have been aware. Sixth, unlike traditional HRT, for the vast majority of Defendant HRC Medical’s BHRT consumers, the decision whether BHRT would be offered to the consumer was made *before* he or she ever set foot in the door.

208. Generally, BHRT promoters, including TCPA Defendants, assert that the purported molecular symmetry with naturally-produced hormones makes BHRT safer and more effective than traditional HRT.

209. Defendant HRC Medical's BHRT included estrogen and testosterone delivered through pellets inserted subcutaneously. For most women, Defendant HRC Medical's BHRT usually included micronized progesterone in tablet form—even for women who had hysterectomies.

210. Defendant HRC Medical also offered “free” B-12 shots with their BHRT package. Defendant HRC Medical did this because the B-12 shots were very inexpensive, but also because the shots made the consumer feel “something” after the first pellet insertion.

211. The estrogen component for Defendant HRC Medical's BHRT consisted of estradiol in pellet form, which was delivered subcutaneously. When estrogen was administered, the estradiol pellets were inserted in the hip in 3 milligram to 18 milligram doses, which is many times higher than the low-dose estrogen commonly given as part of HRT.

212. The progesterone component for Defendant HRC Medical's BHRT consisted of micronized progesterone in tablet form, which is meant to be dissolved under the tongue.

213. Regardless of the estradiol or testosterone dose, Defendant HRC Medical's progesterone component was most often delivered as a 200 milligram tablet, although it was sometimes dosed in smaller amounts like 50 milligrams or 100 milligrams.

214. As part of Defendant HRC Medical's BHRT, Defendant HRC Medical even provided progesterone to women who had hysterectomies. As an example, Defendant HRC Medical has stated the following in its Patient Information Packet, in relevant part:

If you've had a Hysterectomy: Take progesterone every night before bed (your individual dosage will be determined and discussed with you by the nurse.)

215. Defendant HRC Medical's BHRT also included testosterone in pellet form delivered subcutaneously. In women, the testosterone pellet dose was up to 200 milligrams for one implant. In men, the testosterone dose was up to 3,200 milligrams for one implant.

216. Although blood levels are not a perfect measurement to evaluate testosterone, Defendant HRC Medical effectively treated blood levels below its high target levels, including hormone blood levels found in the vast majority of normal, healthy individuals, as a pathological condition.

217. The range of testosterone in 95% of women is less than 10 ng/dL and up to 70 ng/dL, although some laboratories use ranges between 0 ng/dL and 65 ng/dL. As evidenced by numerous internal documents, Defendant HRC Medical's target range of testosterone for *women* was between 250 ng/dL and 300 ng/dL, which is in the normal *male* range for testosterone. The testosterone actually found in female consumers of Defendant HRC Medical's BHRT was often significantly higher than even Defendant HRC Medical's target range, which was already in the normal male range.

218. Defendant HRC Medical advised in correspondence with a female consumer:

*"Testosterone Total needs to be between 250 – 300 ng/dL".*

219. The reference range for testosterone in healthy, normal men is between 200 ng/dL and 700 ng/dL. For testosterone, Defendant HRC Medical's target range was significantly higher than the highest end of the range.

220. For example, Defendant HRC Medical stated the following, in relevant part:



Our target blood range (the range at which we see the highest degree of symptom relief with the lowest degree of side effects) is *1100 ng/dl to 1400 ng/dl*. Some men will feel best at levels below 1100 ng/dl and some will feel best at levels higher than 1400 ng/dl.

and elsewhere:

HRC has conducted a study of 182 men from one of our Centers who were satisfied with their treatments. "Satisfied" means they achieved symptom relief with minimal side effects and therefore renewed their treatment for another year. We analyzed 940 measurements. The Mean testosterone level attained in this sample was 1083.7 while the Median level was 1075.5. The "high" end was 1700. . . .

221. Because of the way the body responds to sex hormones, including through conversion of one hormone into another and through the potentially contradictory effects of hormones given in combination, a cocktail of hormones containing high doses of estradiol and high doses of testosterone in pellet form delivered subcutaneously along with micronized progesterone delivered through oral tablet would have to be studied as a whole to determine any benefits, efficacy, and safety or to make comparison claims with traditional HRT.

222. There is no competent and reliable scientific evidence that has tested the efficacy, benefits, or safety of estradiol and testosterone delivered subcutaneously in pellet form with or without micronized progesterone delivered orally.

223. Further, there is no competent and reliable scientific evidence that establishes equivalence with or superiority of estradiol and testosterone delivered subcutaneously in pellet form with or without micronized progesterone delivered orally over traditional HRT products—including specific claims of equivalence or superiority with respect to safety, risks, or side effects.

224. There is no competent and reliable scientific evidence to support efficacy, benefit, or safety claims of a therapy that produces supraphysiologic levels of estrogen alone or in combination with supraphysiologic levels of testosterone and/or progesterone.

225. There is no competent and reliable scientific evidence that has tested the efficacy, benefits, or safety of supraphysiologic levels of testosterone in men and women including supraphysiologic of testosterone delivered subcutaneously in pellet form in either men or women.

#### **OVERVIEW OF HOW DEFENDANT HRC MEDICAL'S BHRT HAS BEEN SOLD**

226. After hearing advertisements for Defendant HRC Medical's BHRT, consumers called in to set up a "free" consultation. Defendant HRC Medical gave first preference in scheduling consultations to its most successful sales consultant, who had no or only negligible hormone-related or medical training on hormones, and was paid on a full or partial commission basis.

227. At least two of Defendant HRC Medical's most successful sales consultants, Amanda Garrett and Andrea Bernard, were paid on a 100% commission basis—meaning that they did not get paid unless they made a sale. Andrea Bernard, Defendant HRC Medical's most successful sales consultant, stated that she was under "very strong pressure to sell constantly" and that her sales conversion ratios for BHRT were monitored constantly by Defendant Don Hale and his son, Dane Hale.

228. At the "free" consultation, Defendant HRC Medical's and Defendant HRC Management Midwest's sales consultants gave consumers the sales pitch about the BHRT. The sales consultants then asked consumers to fill out a symptom relief chart that purports to catalog symptoms associated with hormone imbalances. The list of symptoms, like "tiredness" and "poor focus," were intentionally chosen by Defendants to apply to the greatest number of people. Absent rare circumstances, one checked box meant that the sales consultant should offer the consumer the BHRT. Some, but not all consumers, were then asked to fill out a medical history form.

229. TCPA Defendants instructed sales consultants to ask consumers to sign non-refundable contracts for Defendant HRC Medical's BHRT either through a lump sum payment or through financing. The non-refundable contracts usually cost between \$2,000 and \$3,000 for women, and included a year's worth of hormone pellet inserts. The non-refundable contracts for men usually cost between \$3,000 and \$4,000. While Defendant HRC Medical offered *a la carte* pricing for one pellet implant (usually \$1,100 per implant), this price was disproportionate to what the per-pellet implant would be in the annual package and was presumably designed to drive consumers towards the more expensive annual package.

230. Defendant Don Hale, on behalf of Defendant HRC Medical, established prices for Defendant HRC Medical's BHRT.

231. For the vast majority of consumers, the sales consultant took the consumer back to have his or her blood hormone levels drawn *after signing the non-refundable contract and paying for a year's worth of BHRT*. The consumer left the "free" consultation after giving blood for laboratory tests that supposedly indicated whether the consumer was a candidate for BHRT.

232. Because Defendant HRC Medical used target blood hormone ranges that were well-outside the normal ranges, Defendant HRC Medical almost always found that the consumer's hormone levels were deficient—particularly for testosterone.

#### **OVERVIEW OF DEFENDANT HRC MEDICAL'S BHRT ADVERTISING**

233. Defendant HRC Medical advertised its BHRT heavily on television, radio, online, and in print in Tennessee.

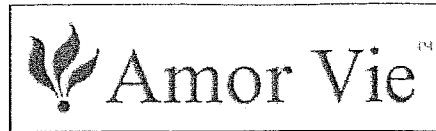
234. Defendants marketed their BHRT to practically everyone over the age of 18.

235. As an example of this all-encompassing marketing strategy, in a March 31, 2009, press release, which quoted Defendants Dan Hale and Don Hale on behalf of Defendant HRC Medical, Defendant Don Hale is quoted as stating, “We have had a very large range of age [sic] of people needing hormone replacement—from ages 22 to 91!”

236. Other examples were seen in the “Amor Vie Test,” an interactive portion of Defendant HRC Medical’s website, [www.hrcmedical.com](http://www.hrcmedical.com), and its own standalone site, [www.amorvietest.com](http://www.amorvietest.com). The Amor Vie Test asked the user to fill in his or her age, sex, and then the severity of his or her symptoms on a scale of 1 through 10 with 1 being the very lowest and 10 being the most severe. The symptoms asked about included the following: Depression / Mood Swings, Hot Flashes / Night Sweats, Low Libido / Low Sex Drive, Low Energy / Fatigue, Weight Gain / Weight Control, Painful Intercourse / (ED), and Sleep Disorders.

237. If a consumer typed in age 30 and all ‘1s’ for symptom severity, *the lowest amount possible on the scale*, Defendant HRC Medical still asked the consumer to call to set up a consultation with the sales consultant paid on 100% commission through the following message, quoted and shown below in an excerpt as Figure 9:

You are probably at the start of experiencing Moderate symptoms of hormone deficiency that have begun to affect some aspects of the quality of your life. Call us at HRC for a free consultation so you can learn the “tell tale” signs of hormone depletion. Let HRC begin to Restore! what you are losing and Renew! your quality of life to what you had in your prime.



RESTORE! RENEW! REJOICE!

You are probably at the start of experiencing Moderate symptoms of hormone deficiency that have begun to affect some aspects of the quality of your life. Call us at HRC for a free consultation so you can learn the "tell tale" signs of hormone depletion. Let HRC begin to Restore! what you are losing and Renew! your quality of life to what you had in your prime.

Zip Code \*

E-Mail Address \*

Submit

© 2009 - 2011 HRC Medical Centers

Fig. 9 (Not to Scale)

238. Under the same test, if the consumer listed his or her age as 20 and types in all 2s, *the next lowest ranking amount for every symptom*, Defendant HRC Medical sent the consumer the same message as above.

239. Defendant HRC Medical advanced the same all-encompassing marketing message in other advertisements for its BHRT. For example, in an advertisement for Defendant HRC Medical's BHRT, Defendant HRC Medical stated: "Bio-Identical Hormones are providing spectacular results for women of all ages."

240. In the same advertisement for Defendant HRC Medical's BHRT, Jennifer Hale, Defendant Don Hale's daughter-in-law, stated the following, "*Now, I realize that it is not only for women going through menopause.*"

241. Overall, most of Defendant HRC Medical's advertising about BHRT was directed at women, but Defendant HRC Medical also directed a significant portion of advertising to highlight its BHRT program for men as well.

242. Defendant HRC Medical has advertised its BHRT heavily on local television and radio in the Nashville and, to a lesser extent, the Knoxville media market.

243. Throughout its operation of the Memphis HRC Medical office, Defendant HRC Management Midwest used advertising, promotional, and contractual materials provided by Defendant HRC Medical and directed consumers to the website, [www.hrcmedical.com](http://www.hrcmedical.com), owned and operated by Defendant HRC Medical.

244. Before the time when Defendant HRC Management Midwest owned and operated the Memphis office, Defendant HRC Medical provided the Memphis office with advertising, promotional, and contractual materials, which directed consumers to the website, [www.hrcmedical.com](http://www.hrcmedical.com).

245. Defendant HRC Medical produced television commercials about its BHRT which aired in the Nashville and Knoxville television markets during local-only programs, local advertising slots on national programs, or before videos posted by local television affiliates on their websites.

246. Since its inception, Defendant HRC Medical advertised on every major television affiliate in the Nashville area.

247. On at least 40 occasions, Defendant HRC Medical paid for advertisements on Nashville television affiliates that lasted between 3 and 5 minutes. These longer advertisements occurred at least on April 12, 2010, August 24, 2010, September 8, 2010, May 23, 2011, June 21, 2011, June 22, 2011, July 21, 2011, July 27, 2011, July 28, 2011, August 11, 2011, August 22, 2011, September 21, 2011, September 29, 2011, October 3, 2011, October 24, 2011, October 26, 2011, November 17, 2011, November 22, 2011, December 5, 2011, December 7, 2011, December 15, 2011, January 23, 2012, January 25, 2012, February 7, 2012, February 15, 2012, February 20, 2012,

March 14, 2012, March 19, 2012, April 10, 2012, April 2, 2012, May 3, 2012, May 8, 2012, May 21, 2012, June 4, 2012, June 15, 2012, June 26, 2012, July 10, 2012, and July 23, 2012.

248. Defendant Dan Hale appeared on these longer advertisements for Defendant HRC Medical's BHRT at least on July 21, 2010, July 28, 2010, August 24, 2010, September 21, 2010, September 21, 2011, October 26, 2011, November 17, 2011, December 7, 2011, and January 25, 2012.

249. Defendant Don Hale appeared on these longer advertisements for Defendant HRC Medical's BHRT at least on September 8, 2010, May 3, 2012, May 8, 2012, and July 10, 2012.

250. Defendant HRC Medical paid television affiliates for advertising on the affiliate's website including: [www.wsmv.com/category/212688/hrc-medical](http://www.wsmv.com/category/212688/hrc-medical).

251. Defendant HRC Medical was also listed as a chief sponsor of a morning program for a Nashville television affiliate. As part of the advertising package, Defendant HRC Medical's logo appeared alongside the program's logo or was rotated with the morning show's logo during the broadcast and in web videos of the broadcast.

252. Defendant HRC Medical also advertised its BHRT for men on sports talk radio and other outlets in Middle and East Tennessee.

253. Defendant HRC Medical owned, operated, and controlled [www.hrcmedical.com](http://www.hrcmedical.com), [www.amorvietest.com](http://www.amorvietest.com), and [www.hrcmeds.com](http://www.hrcmeds.com).

254. Defendant HRC Medical directed the vast majority of its other advertisements to the website, [www.hrcmedical.com](http://www.hrcmedical.com), including those for other franchises.

255. Defendant HRC Medical's website had several iterations, which all made representations about the purported safety, efficacy, benefits, side effects, and risks of Defendant

HRC Medical's BHRT and its purported superiority over traditional HRT, and which all failed to clearly and conspicuously disclose serious side effects and risks associated with their BHRT.

256. Defendant HRC Medical operated promotional Facebook accounts for its Nashville office and for its Knoxville office, including [www.facebook.com/pages/HRC-Medical-Center-of-Nashville/267275500430](http://www.facebook.com/pages/HRC-Medical-Center-of-Nashville/267275500430) and [www.facebook.com/pages/HRC-Medical-Center-of-Knoxville/238402456184636](http://www.facebook.com/pages/HRC-Medical-Center-of-Knoxville/238402456184636).

257. Defendant HRC Medical also operated a Facebook account for Defendant HRC Management Midwest for the Memphis office, including [www.facebook.com/pages/HRC-Medical-Center-of-Memphis/120860564682635?ref=ts](http://www.facebook.com/pages/HRC-Medical-Center-of-Memphis/120860564682635?ref=ts).

258. Defendant Dan Hale wrote posts on both Defendant HRC Medical's Nashville and Knoxville Facebook pages about Defendant HRC Medical's BHRT.

259. Defendant Don Hale wrote posts on Defendant HRC Medical's Nashville Facebook page about Defendant HRC Medical's BHRT.

260. Defendant HRC Medical posted advertisements for its BHRT on YouTube under the YouTube account name HairRestorationCenter, HRCMedicalGR, and HRCMedical, which featured Defendant Dan Hale and Defendant Don Hale.

261. Defendant HRC Medical's YouTube and other online videos were available online by themselves, and were also linked or embedded within websites, Facebook accounts, or other web-based media controlled by Defendant HRC Medical.

262. Defendant Dan Hale also wrote a series of articles about Defendant HRC Medical's BHRT that were distributed in hard copy and electronic form, on Defendant HRC Medical's website, and Defendant HRC Medical's Facebook accounts for its Tennessee offices. Among other things,



these articles spoke to the purported safety, benefits, efficacy, risks, and side effects of Defendant HRC Medical's BHRT, the purported safety, benefits, efficacy, risks, and side effects of Defendant HRC Medical's BHRT compared with traditional hormone replacement therapy regimens, and stated that Defendant HRC Medical's BHRT restored a consumer's hormone levels to the levels he or she had in his or her twenties or thirties.

263. TCPA Defendants, as set forth below, have made a host of claims about Defendant HRC Medical's BHRT, which appeared frequently in its advertisements.

**EXPRESS CLAIMS THAT NOT REPLACING ONE'S HORMONES IS UNSAFE**

264. Both Defendant HRC Medical and Defendant Dan Hale, acting on behalf of Defendant HRC Medical, falsely, deceptively, and/or without adequate substantiation claimed on multiple occasions in advertisements for Defendant HRC Medical's BHRT that it was unsafe for an individual *not* to replace one's hormones.

265. For example, in an advertisement for Defendant HRC Medical's BHRT on WSMV, Nashville's local NBC affiliate, Defendant Dan Hale stated the following:

Oh my, see the bad thing about hormones is this: It is not good not to replace your hormones. In other words, some people say, "*Is this safe?*" *It's more than safe. It is not safe not to replace your hormones.*" (emphasis added)

266. In a different advertisement on Nashville's NewsChannel 5's midday program, Defendant Dan Hale stated the following about Defendant HRC Medical's BHRT:

The bio-identical means it's biologically identical to the hormones you had when you were 20 years old. So, they perform exactly the same way that our hormones did years ago, *so not only they're safe, it is not safe not to replace them.* So, it's actually a health benefit to us. I know we like to talk about how we feel and all that, but actually the hormones help us with our health in every area of our life, *so it's not safe not to have your hormones balanced.* (emphasis added)

267. In another advertisement for Defendant HRC Medical's BHRT on WSMV, Defendant Dan Hale and WSMV's Kacy Haggerty engaged in the following dialogue:

KACY HAGGERTY: So is "all natural" a really good option for people?

DR. HALE: *It's not even, it's not an option. What I'm saying is that without hormones, it's not safe. People sometimes say is this safe? I'm saying to you, it's not safe is like, "Should I wear a safety belt?" Of course. You know it's not safe not to keep your hormones where they should be.*

KACY HAGGERTY: And, again, you've seen tons of success in all of this?

DR. HALE: Oh my. *Everyone.* (emphasis added)

268. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that it is unsafe to not replace one's hormones using Defendant HRC Medical's BHRT or otherwise.

269. Clinical studies, research, and/or trials do not show that it is unsafe not to replace one's hormones, rather the weight of the scientific evidence shows the opposite, namely that replacing one's hormones, while appropriate for some, carries with it substantial potential risks to one's health.

#### **EXPRESS CLAIMS THAT DEFENDANT HRC MEDICAL'S BHRT IS SAFE**

270. All TCPA Defendants falsely, deceptively, and/or without adequate substantiation represented, without qualification, on multiple occasions that Defendant HRC Medical's BHRT was safe, absolutely safe, or completely safe.

271. In a brochure handed out to consumers at the Knoxville, Nashville, and Memphis offices in Tennessee, excerpted below as Figure 10, Defendants HRC Medical and HRC Management Midwest stated the following about its BHRT:

*IS THIS SAFE? Absolutely. They actually have been shown to have very preventive and protective qualities with regard to cancer.*

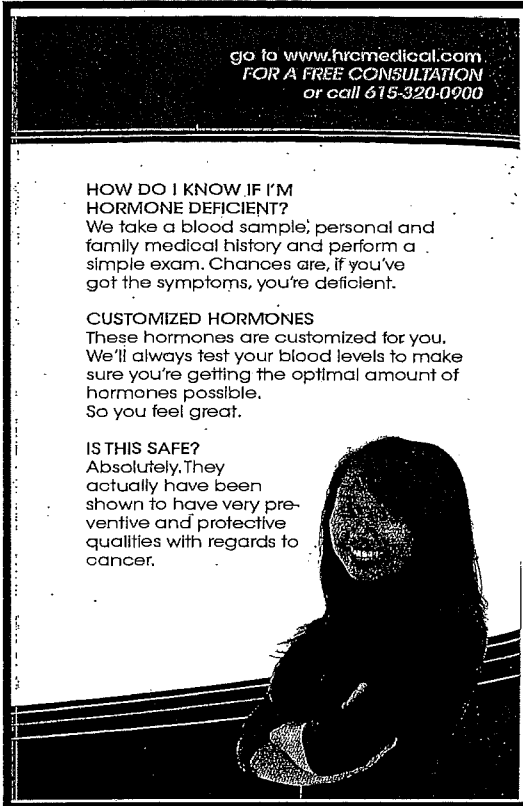
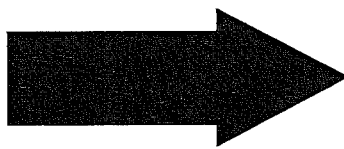


Figure 10 (Not to scale)

272. Similarly, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following:

*Bio-identical hormones are safe. They're not the kind of hormones that are unsafe.*  
(emphasis added)

273. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following:

*Bio-identical hormones are completely safe.* (emphasis added)

274. In advertisements for Defendant HRC Medical's BHRT, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*What everyone should understand is that bio-identical hormones are very safe. . . .*  
(emphasis added)

275. On July 21, 2011, and in August 2011, Defendant HRC Medical stated the following on its Facebook page for its Nashville office:

*Is it safe? Yes. Bio-equivalent hormone therapy is the safest form of hormone treatment available.* (emphasis added)

276. Likewise, in an advertisement for Defendant HRC Medical's BHRT, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

Go on the Internet and read about bio-identical hormones and you'll see that there's a lot of information out there. *All of it is positive. You're not going to see anything that says that bioidentical hormones causes anything bad at all. It's just not there. If there's anything bad about something it's going to show up on the Internet as you know.* You're not going to find it because bio-identical hormones you have are the same kind of hormones you had when you were twenty years old. (emphasis added)

277. Similarly, on July 9, 2011, and July 23, 2011, Defendant HRC Medical stated the following on its Facebook page for its Nashville office:

[ERT . . . . estrogen replacement therapy] scares most women because they have the impression that all estrogens are dangerous. *Bio-Identical Hormone Replacement Therapy is just the opposite . . .* (emphasis added)

278. Defendant HRC Medical stated on its website, [www.hrcmedical.com](http://www.hrcmedical.com), at varying times, the following, in relevant part:

*Amor Vie hormone therapy is safe, all natural and effective. . . . Derived from natural sources such as yams or soy, Amor Vie Bio-Identical Hormones provide a safe and natural alternative to women and men with low levels of progesterone, estrogen, and testosterone.* (emphasis added) and

*Amor Vie therapy allows us to offer you a safe, highly effective [sic] that you can confidently select to optimize and protect your overall health and wellness.* (emphasis added)

279. Defendant HRC Medical stated in advertisements, the following, in relevant part:

*Amor Vie therapy using bionatural hormones helps replace these hormone levels to what they were in women when they were in their twenties, safely, without negative potential side effects of synthetic hormones.* (emphasis added)

280. On August 12, 2011, Defendant HRC Medical stated the following on its Facebook page for its Nashville office:

*TIRED of being TIRED? Get your life back in a safe, all natural, and effective manner! At HRC Medical Nashville, we bring freshness back to your life by getting your hormones back in balance. Call (615) 320-0900 to schedule your free consultation today!* (emphasis added)

281. On August 25, 2011, and September 2, 2011, Defendant HRC Medical stated the following on its Facebook page for its Nashville office:

*Our procedures bring back the hormonal balance your body needs. Amor Vie therapy is safe, all natural and effective.* (emphasis added)

282. Defendant Don Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part in advertisements aired multiple times on WSMV:

*No one can find any evidence that having your hormone levels raised back like they were in their [sic] youth can hurt you in any way if it's done with natural hormones as opposed to synthetic hormones.* (emphasis added)

283. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in an advertisement for Defendant HRC Medical's BHRT:

*So they – so there are actually no health risks that we've ever been able to determine with the bio-identical hormones.* (emphasis added)

284. In advertisements for its BHRT, Defendant HRC Medical used the tagline: HRC Medical Center Amor Vie Natural. Safe. Personalized. (emphasis added)

285. On March 1, 2012, Defendant HRC Medical stated the following on its Facebook page for its Nashville office, in relevant part:

Also, most doctors use synthetic hormones, patches, and creams, where HRC Medical uses Amor Vie and it is a Natural Therapy. *Less side effects and a lot safer.* Tina call your local center for a consultation and they can tell you the *huge difference.* (emphasis added)

286. In advertisements, Defendant HRC Medical used consumer testimonials who stated the following, in relevant part:

*I was amazed that you know there have been lots of studies and I felt really confident that what I was doing was going to be safe and it was going to be effective and so that's what made me want to go for it.* (emphasis added)

287. Elsewhere in advertisements for Defendant HRC Medical's BHRT featuring Defendant Dan Hale and Defendant Don Hale, Defendant HRC Medical used the word "safe" on multiple occasions as the most prominent descriptor for its BHRT, some of which are shown as Figures 11 -14 in screen shots below:

Fig. 11



Fig. 12



Fig. 13



Fig. 14



288. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that it Defendant HRC Medical's BHRT is safe, completely safe, or absolutely safe.

289. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT is safe, completely safe, or absolutely safe.

**EXPRESS CLAIMS THAT DEFENDANT HRC MEDICAL'S BHRT  
HAS NO CANCER RISK OR PROTECTS AGAINST CANCER**

290. Defendants HRC Medical and Dan Hale falsely, deceptively, and/or without adequate substantiation claimed that Defendant HRC Medical's BHRT involved no cancer risk for consumers or protected against cancer.

291. On a brochure for Defendant HRC Medical's BHRT featuring Defendant Dan Hale's picture and a brief description handed out to consumers in Tennessee, excerpted below as Figure 15, Defendant HRC Medical and Defendant Dan Hale stated the following:

*Will Hormones increase my risk of cancer?*  
*Never. Natural Bio-Equivalent Hormones actually are protective. In a study done of 976 females [sic] patients who had the pellet insertions no one developed breast or ovarian cancer secondary to the hormones. (emphasis added)*

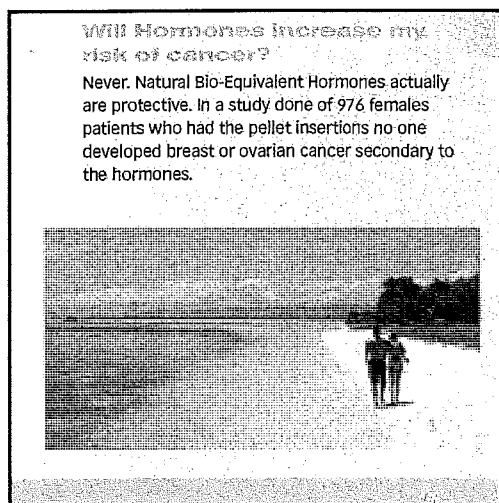


Fig. 15  
(Not to Scale)

[STOPPING POINT]

292. On another brochure advertising Defendant HRC Medical's BHRT, Defendant HRC Medical falsely stated:

IS THIS SAFE? Absolutely. *They actually have been shown to have very preventive qualities with regards to cancer.* (emphasis added)

293. Defendant Dan Hale, on behalf of Defendant HRC Medical, repeated this false assertion in other formats. In advertisements for Defendant HRC Medical's BHRT, Defendant Dan Hale stated the following:

Bio-identical hormones therapy are [sic] safe. They're not the kind of hormones that are unsafe. The other kind of hormones for hot flashes called conjugated estrogen and they are not safe. *We know that because on the Women's Health Initiative trial, they caused a lot of problems with breast cancer, cervical cancer, heart disease, blood clots. The bio-identical hormones never, ever do that. As a matter of fact, a lot of studies show that probably they're somewhat protective in some of those things.* Thank you very much. (emphasis added).

294. In advertisements for Defendant HRC Medical's BHRT, Defendant Dan Hale stated the following:

Bio-identical hormones are different than the traditional because bio-identical means biologically identical. That means that they are the same as the hormones that you had when you were twenty years old. I try to visualize it this way. If this is the hormones I had when I was twenty [holds palm up facing sideways] then this is [sic] the hormones that we're putting in [holds up other hand and presses palms together]. These are biologically identical. That means they're different from the synthetic. *The synthetic kind of hormones are the ones that cause breast cancer, cervical cancer, heart disease, blood clots. Go to the website and type in 'Women's Health Initiative' study. You can read about that. You can find out that the bad things made from horse urine. That's conjugated estrogen. The bio-identical do not cause that. They are probably are [sic] somewhat protective.* (emphasis added).

295. The claim that Defendant HRC Medical's BHRT will never increase a user's risk of cancer was false and cannot be reconciled against Defendant HRC Medical and Defendant Dan



Hale's claim that the hormones contained in their BHRT were identical to the hormones that the body naturally produces.

296. It is widely accepted and well established that the estrogen that the body naturally produces, in sufficient amounts, increases a woman's risk for developing endometrial cancer (cancer of the lining of the uterus).

297. If Defendant HRC Medical's BHRT was indeed molecularly identical to the estrogen that the body naturally produces, then it will necessarily increase a woman's risk for developing endometrial cancer.

298. Defendant HRC Medical and Defendant Dan Hale went further than stating that there was no cancer risk with Defendant HRC Medical's BHRT, and claimed that Defendant HRC Medical's BHRT actually protected against the development of various cancers.

299. In an advertisement aired in Tennessee and made available on YouTube, Defendant Dan Hale stated about Defendant HRC Medical's BHRT, the following:

*Well, with the bioidentical hormone replacement therapy, they are actually breast protective. So, it is probably almost impossible to have breast cancer when you're using this bioidentical hormone replacement therapy, actually breast protective. So I feel good about doing things that are safe and help people at the same time. (emphasis added)*

300. In an advertisement aired in Tennessee on Nashville's WSMV, Defendant Dan Hale, on behalf of Defendant HRC Medical, engaged in the following dialogue with Kacy Haggerty of WSMV:

KACY HAGGERTY: [N]ow a lot of people out there are concerned about the safety of hormone replacement therapy. Can you talk about that? Is it safe?

DAN HALE: I'm glad you asked that question. So many people think that aw, it could cause heart attacks, strokes, blood clots, but every time they do those kind of studies they're talking about the synthetic kind. Every study done, there's many hundreds of studies that is [sic] out there that show hormones actually protect it, if it's the kind we had when we were 25 years old. It only makes sense. When you were 25, you were healthiest and when we're 55-60-65, things begin happening to us that we don't like. The reason why is because then we had hormones that are natural. Well, when we replace those hormones that are identical to those hormones then actually they're protected and studies will show that. *There's a lot of protection from Alzheimer's, from breast cancer, cervical cancer, so a lot of good things can happen, but studies confirm what I just told you.*

KACY HAGGERTY: *Good information, sounds very safe.* (emphasis added)

301. Defendant HRC Medical posted the following on its website, [www.hrcmedical.com](http://www.hrcmedical.com), about its BHRT:

• Cancer

Synthetic estrogens are associated with 6 different cancers. Vitamin D helps prevent cancer. There are studies which strongly suggest balancing your hormones can deter breast and cervical cancer.

302. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT has no potential risk of cancer or that it can protect against cancer.

303. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT has no potential risk of cancer or that it can protect against cancer.

304. In fact, at least seven female consumers of Defendant HRC Medical's BHRT, six of whom provided affidavits, have been diagnosed with breast or endometrial cancer during or after taking Defendant HRC Medical's BHRT. In one case, the consumer had to have a double-mastectomy. In another instance, the consumer had to undergo a regimen of radiation treatment.

While, consistent with its burden under the TCPA, the State does not intend to show a causal connection between these diagnoses and Defendant HRC Medical's BHRT, the incidents are consistent with the possible risks for Defendant HRC Medical's BHRT and wholly inconsistent with Defendant HRC Medical's and Defendant Dan Hale's express statements asserting no cancer risk or cancer protection for its BHRT including for breast cancer.

#### **EXPRESS CLAIMS OF NO OR MINIMAL SIDE EFFECTS**

305. Defendant HRC Medical and Defendant Dan Hale, on behalf of Defendant HRC Medical, falsely, deceptively, and/or without adequate substantiation stated on numerous occasions that Defendant HRC Medical's BHRT had no or minimal side effects.

306. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in an advertisement for Defendant HRC Medical's BHRT:

So they – so there are actually no health risks that we've ever been able to determine with the bio-identical hormones. Now the side effects that I mentioned may be a little bit of facial hair, may be a pimple or something like that, may be spotting if you get the estrogen a little bit too high. All of those side effects that can be changed, that can be corrected by lowering, by correcting the dosage and making sure that the dosages are correct. *So the point is that if we can correct the hormones naturally then there are absolutely no side effects to it at all. . . . So the point is, there are no side effects to these kind of hormones and nothing but good effects.* (emphasis added)

307. In advertisements for its BHRT, Defendant HRC Medical stated the following, in relevant part:

*Progesterone has proven bioavailability and no side effects making it the preferred hormone for menopause.* (emphasis added)

308. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in an advertisement for Defendant HRC Medical's BHRT:

*Bioidentical hormones are completely safe. Now, what that means is that the side effects, in men, there are no side effects to testosterone. Women, it is possible if you*

*the dose a little bit too high or if they're very sensitive to it, they may get a little bit of a shadow. All that means is we just cut back on the testosterone a little bit. (emphasis added)*

309. Given that the formulation of Defendant HRC Medical's BHRT did not change, Defendant Dan Hale and Defendant HRC Medical's statements cannot be reconciled against the list of potential side effects that Defendant HRC Medical inconspicuously, incompletely, and, in many places, inaccurately posted on remote portions of its webpage, [www.hrcmedical.com](http://www.hrcmedical.com).

310. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT has no or limited side effects or that its components have no, limited, or minimal side effects.

311. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT has no, limited, or minimal side effects.

**EXPRESS CLAIMS THAT DEFENDANT HRC MEDICAL'S BHRT DOES NOT HAVE  
SIDE EFFECTS ASSOCIATED WITH TRADITIONAL HRT**

312. TCPA Defendants all falsely, deceptively, and/or without adequate substantiation claimed that Defendant HRC Medical's BHRT was safer than and did not have the side effects and risks associated with traditional hormone replacement therapy.

313. On a brochure given to prospective consumers in Tennessee, Defendant HRC Medical and Defendant HRC Management Midwest stated the following, in relevant part, as excerpted below and shown in Figure 16:

*Perhaps most importantly, since it is naturally derived, it does not carry the risks associated with synthetic treatments. (emphasis added)*

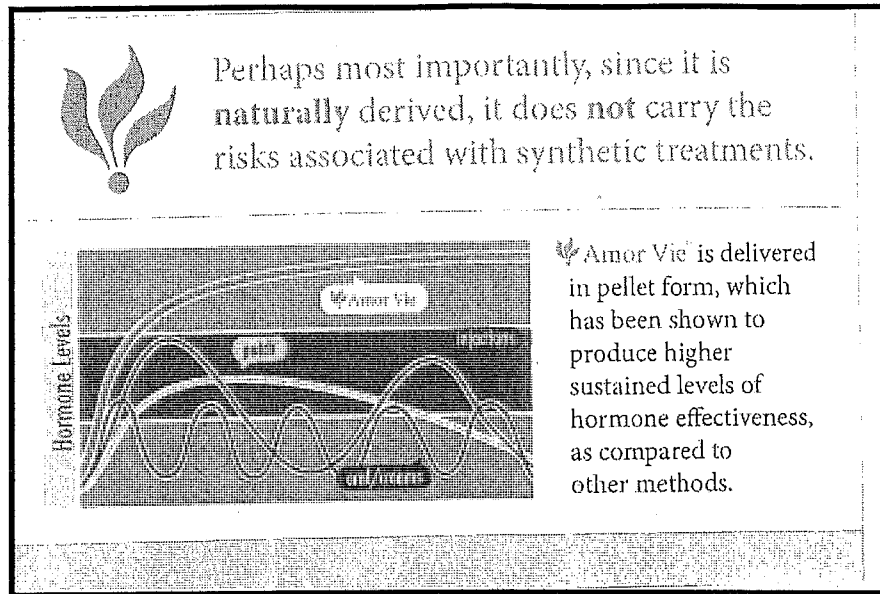


Fig. 16 (Not to Scale)

314. In its Welcome Packet given to consumers in Tennessee, Defendant HRC Medical stated the following, in relevant part:

Our pellets are identical to the hormones created naturally by the body when we were in our prime. *They are NOT synthetic and therefore do not create the side effects often associated with synthetic versions of these hormones found in oral, injectable, or forms of those absorbed through the skin in gels, oils or patches.* (emphasis added)

315. Defendant HRC Medical stated on its website, [www.hrcmedical.com](http://www.hrcmedical.com), the following, in relevant part:

The sex stimulating hormones we successfully replace are Testosterone, Estrogen, and Progesterone. *Amor Vie therapy is safe and is not associated with the risk [sic] and side effects of synthetic hormones.* (emphasis added)

316. On January 24, 2012, and April 5, 2012, Defendant HRC Medical stated the following on its Facebook page for its Nashville office:

Bio-Identical Pellet Hormones are made from a plant source, usually yams or soy. *These types of hormones do not have the side effects seen in synthetic hormone replacement.* (emphasis added)

317. On March 8, 2012, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following on its Facebook page for its Knoxville office:

*Natural hormones as we had when we were 25 do not have the side effects associated with synthetics.* (emphasis added)

318. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT:

*Bio-identical hormones are different than the traditional because bio-identical means biologically identical. That means that they are the same as the hormones you had when you were twenty years old. I try to visualize it this way. If this is your hormones I had when I was twenty [holds palm up facing sideways] then this [sic] is the hormones that we're putting in [holds up other hand and presses palms together]. These are biologically identical. That means they're different than the synthetic. The synthetic kinds of hormones are the ones that cause breast cancer, cervical cancer, heart disease, blood clots. Go to the website and type in 'Women's Health Initiative' study. You can read about that. You can find out the bad things made from horse urine. That's conjugated estrogen. The bio-identical hormones do not. They are probably are somewhat protective.* (emphasis added)

319. Defendant Dan Hale, on behalf of Defendant HRC Medical, also stated the following in advertisements for Defendant HRC Medical's BHRT:

People are wanting to get away from the synthetic hormones made from horse urine, made from the urine of pregnant mares. *Those are the things that have a lot of side effects.* They're wanting the kind of natural hormones you had when you were 20 years old, so a lot of people are seeking this therapy. I think it's going to continue to grow because, like Oprah, she had it on her television program. We know that Suzanne Somers has written 3 books on it. *Go on the Internet and read about bio-identical hormones and you'll see that there's a lot of information out there and all of it is positive. You're not going to see anything where it says the bio-identical hormones causes anything bad at all cause it's just not there. If there's anything bad about something, it'll show up on the Internet as you know. You're not going to find it because bio-identical hormones are the same kind of hormones you had when you were twenty years old.* (emphasis added)

320. In an advertisement with WSMV, Defendant HRC Medical, through Jennifer Herron speaking on behalf of Defendant HRC Medical, stated the following, in relevant part:

JENNIFER HERRON: *As far as side effects, Dr. Hale says that they are minimal compared to traditional hormone treatments. Acne and extra hair growth does [sic] occur in some patients. But Dr. Hale says that a tweak in the hormone levels will solve that.* (emphasis added)

321. On Defendant HRC Medical's website, [www.hrcmedical.com](http://www.hrcmedical.com), Defendant HRC Medical stated the following:

But the key to replace them (estradiol, progesterone and testosterone) with hormones that are a duplicate of those we had when we were 25 years old. *We have learned from years of using synthetic hormones (Premarin, Provera, and Prempro) that these can cause many negative side effects. In a study involving 16,608 women, the Women's Health Initiative Trial, it was shown that using these synthetic hormones [sic] women are more likely to develop breast cancer, heart attacks, strokes and blood clots. Natural hormones as we had when we were 25 do not have the side effects associated with synthetics.* (emphasis added)

322. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

Bio-identical Hormones are different than the usual synthetic hormones, the most common being Premarin, conjugated estrogen. *This is the synthetic estrogen used in the Women's Health Initiative Study showing an increase in breast cancer, cervical cancer, strokes and heart attacks. This study involved over 16,000 women. . . . Bio-Identical Pellet Hormones are made from a plant source, usually yams or soy. These types of hormones do not have the same side effects seen in synthetic hormone replacement.* (emphasis added)

323. Defendant HRC Medical stated the following on its website, [www.hrcmedical.com](http://www.hrcmedical.com), in relevant part:

Our Amor Vie™ hormones, naturally derived from plant extracts, are a molecular match to what the body produces. *This benefits us because they are recognized by our bodies as natural and do not have the side-effects associated with synthetics.* (emphasis added)

324. On July 9, 2011, Defendant HRC Medical stated the following on its Facebook page for its Nashville office:

HRT (ERT ..... estrogen replacement therapy) scares most women because they have the impression that *all estrogens are dangerous. Bio-Identical Hormone Replacement Therapy is just the opposite. . . . BHRT prevents disease while relieving symptoms.* (emphasis added)

325. More recently, Defendant HRC Medical stated the following on its website, [www.hrcmedical.com](http://www.hrcmedical.com), in relevant part:

Like virtually every other medical treatment, procedure or prescription medication, that is designed to improve your overall well being, bioavailable Natural Hormone Replacement Therapy (bioNHRT) affects how your body functions so you can realize improvement in the areas desired and may have a few side effects or carry some small risks for a very small percentage of patients. You need to have a thorough understanding of them to evaluate the therapy for yourself. *But, unlike many other medical treatments, procedure, or prescription medication, the Natural Bio-Available Hormones used in HRC's AMORE [sic] VIE therapy are naturally derived (from the Yam plant). Being naturally derived, they work almost identically to those hormones already existing in the human body without the introduction of any synthetic matter that greater change the risk factor evaluation. . . . It is important to note that almost all of the side effects that might be experienced can be adjusted dosing related in that if side effects are felt a simple reduction in dosing will generally reverse the affect [sic].* (emphasis added)

326. Defendant Don Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in an advertisement aired on WSMV:

*No one can find any evidence that having your hormone levels raised back like they were in their [sic] youth can hurt you in any way if it's done with natural hormones as opposed to synthetic hormones.* (emphasis added)

327. As part of Defendant HRC Medical's effort to make superiority claims over traditional HRT, Defendant HRC Medical, and Defendant Dan Hale, on behalf of Defendant HRC Medical, falsely, deceptively, and/or without adequate substantiation asserted that the human body is not able to process conjugated estrogens made from equine urine and suggested that the risks



associated with traditional HRT products stem from the body's purported inability to process products derived from horse urine.

328. For example, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in advertisements for Defendant HRC Medical's BHRT:

*Our bodies are not made to metabolize horse urine, but they are made to metabolize natural hormones. So they – so there are actually no health risks that we've ever been able to determine with the bio-identical hormones.* (emphasis added)

329. Defendant Dan Hale, in advertisements for Defendant HRC Medical's BHRT, stated the following, in relevant part:

*Our bodies are not made to process horse urine.* (emphasis added)

330. Elsewhere, Defendant HRC Medical stated the following in an advertisement for its BHRT:

*The reason our bodies cannot eliminate the unnatural chemicals found in horse urine is because we do not have the enzymes a horse has. But we do have the necessary enzymes to breakdown natural bio-available estradiol.* (emphasis added)

331. On June 16, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook account for the Memphis office:

Pellet Hormones are made from a plant source, usually yams or soy. *These types of hormones do not have the side effects seen in synthetic hormone replacement.* The Pellets are Testosterone and Estradiol.

332. Likewise, on June 10, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook page for the Memphis office:

The AMOR VIE Therapy uses "Bio Natural/Bio Available" Hormone replacement compounded to mirror the hormones naturally produced in the human body. This eliminates the risk of synthetic hormones that have received much attention over the last several decades. The Hormone formulations have been in use since the 1930s.

333. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT is superior to traditional hormone replacement therapy and does not have the potential side effects associated with commercial pharmaceutical hormone replacement therapy.

334. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT is superior to traditional hormone replacement therapy and does not have the potential side effects associated with commercial pharmaceutical hormone replacement therapy.

### **EXPRESS ANTI-AGING CLAIMS**

335. Defendant HRC Management Midwest, Defendant HRC Medical, Defendant Dan Hale, and others on behalf of Defendant HRC Medical made a series of claims that Defendant HRC Medical's BHRT can be used to prevent, treat, or cure diseases or conditions associated with aging, when those claims were false, deceptive, and/or not adequately substantiated.

336. Essentially, TCPA Defendants advanced the following fallacy of logic in their advertising: People in their twenties and thirties generally have higher hormone levels than they do with advanced age and typically do not have diseases like cancer, heart disease, strokes, and other diseases associated with aging. If you restore a person's hormone levels to the levels he or she had when he or she was twenty or thirty, then the person will be protected from cancer, heart disease, strokes, and other diseases associated with aging.

337. In an advertising piece authored by Defendant Dan Hale and posted on Defendant HRC Medical Center's website, [www.hrcmedical.com](http://www.hrcmedical.com), Defendant Dan Hale stated the following, in relevant part:

One author said, 'Losing our hormones is like a vacuum sweeper sucking the life right out of you.' But the good news is that we do not have to tolerate the ravages of loss of hormones. These hormones can be replaced by natural hormones that are exactly like the hormones you had when you were 25. *You can live a longer and healthier life.* We all want our health to last as long as our life. Please let us help at HRC Medical. Dr. Dan. (emphasis added)

338. On January 25, 2012, March 5, 2012, March 21, 2012, and April 2, 2012, Defendant HRC Medical stated the following on its Facebook page for the Nashville office:

Did you know? Estrogen is a female hormone produced by the ovaries until menopause. Low estrogen contributes to osteoporosis, arteriosclerosis, hot flashes, poor memory, and dry vaginal mucosa. *Estrogen's anti-aging benefits include stronger bones, decreased heart disease and strokes, thicker skin and increased lifespan.* (emphasis added)

339. Defendant Dan Hale stated on Defendant HRC Medical's website:

"We all have to go to our reward eventually, *but we can slow down the dying process until that day comes.*" (emphasis added)

340. Similarly, Defendant HRC Medical's sales materials stated the following, in relevant part:

You have made the right decision toward improving your quality of life by restoring, rebalancing and maintaining your essential hormone levels to achieve optimal results, be 'symptom free' and to love life again. *Aging doesn't have to mean 'getting old.'* (emphasis added)

341. Prior television commercials for Defendant HRC Medical's BHRT that aired in Tennessee stated, "*It may not be the fountain of youth, but it's pretty close.*" (emphasis added)

342. Defendant HRC Medical stated in television advertisements on WKRN, Nashville's ABC affiliate, the following, in relevant part:

*Turn back the hands of time with Amor Vie Therapy.* (emphasis added)

343. Other television commercials for Defendant HRC Medical's BHRT stated that the therapy allows consumers to "reverse the numbers" in his or her age. For example, "42 becomes 24."

344. In advertisements for Defendant HRC Medical's BHRT, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*There's no difference in someone whose 40 and someone whose 20 if we can balance their hormones. (emphasis added)*

345. Defendant HRC Medical stated in a press release for Defendant HRC Medical's BHRT in which Defendant Dan Hale and Defendant Don Hale are quoted, the following, in relevant part:

*In the process of aging, many things start to decline, our health becomes iffy, energy dissipates, we feel weak and tired, headaches are more prevalent and sadly, our sex drive goes out the window. The good news is that there is help! International talk show host, Oprah, has provided the platform for Suzanne Somers to share the miraculous effects of what she considers a natural cure for aging. Bioidentical Hormone Replacement Therapy has been changing the lives of thousands and its happening at HRC Medical Center in Nashville. Pioneers in the industry of health and beauty rejuvenation, HRC Medical Centers, under the helm of brothers Don Hale & Dr. Dan Hale, have treated thousands of patients to restore their health and vitality through bioidentical hormone replacement. . . . Founded in 2005, by Dr. Dan Hale and Don Hale, HRC Medical Center provides the latest in anti-aging techniques. (emphasis added)*

346. On Defendant HRC Medical's website, Defendant Dan Hale stated the following:

Bio-Identical Hormone Replacement

Written by: Dr. Dan Hale

Medical Director HRC Knoxville

Hormones control every system of the body. *Hormone replacement is a treatment of prevention of disease instead of cure. Most diseases....heart attacks, strokes, arthritis, loss of sex drive, obesity, breast and cervical cancers, fatigue, poor sleep....occur after age 40. 98% of the patients over 40 have low hormones. . . . Bio-Identical Hormone Replacement Therapy is just the opposite. . . . BHRT prevents disease while relieving symptoms. (emphasis added)*

347. On July 19, 2011, Defendant HRC Medical stated the following on its Facebook page for its Knoxville office:

Did you know that hormones control every system of the body? *Hormone replacement is a treatment of prevention of disease instead of cure. Most diseases . . . [h]eart attacks, strokes, arthritis, loss of sex drive, obesity, breast and cervical cancers, fatigue, poor sleep . . . occur after age 40. 98% of the patients over 40 have low hormones. Let HRC Knoxville help balance your life. Contact our office @ (865) 670-0039 with any questions or to schedule your free consultation today. (emphasis added)*

348. In a brochure handed out to potential consumers of Defendant HRC Medical's BHRT, created by Defendant HRC Medical, Defendant HRC Medical stated the following, in relevant part:

*Estrogen's anti-aging benefits include stronger bones, decreased heart disease and strokes, thicker skin and increased lifespan. . . . Anti-aging benefits of testosterone therapy are improved mood and feeling of well being, decreased fatigue, more red blood cells, reduced cholesterol, stronger bones, increased sex drive, and sexual potency. . . . The anti-aging benefits [of progesterone] include reduction of stress and arthritic inflammation, maintenance of memory, improved mood, enhanced well-being, and improved sleep. (emphasis added)*

349. On Defendant HRC Medical's Facebook page for its Nashville office, Defendant HRC Medical stated the following:

*You can't turn back the clock. But you can wind it up again. Bonnie Prudden. Another well put quote that reminded us, here at HRC, of what we hear daily from our awesome patients. Feeling awful & out of whack doesn't have to be part of 'growing older'. A 20 min consultation & some blood work is all it takes to get the ball rolling towards a better living! Call us TODAY!!! (emphasis added)*

350. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated in promotional pieces for Defendant HRC Medical's BHRT the following, in relevant part:

*When we see a dead fish in the river and look for the source of the problem. We need to do the same thing in medicine. Doctors need to be asking the question, 'Why did this patient get sick? Why did he have a heart attack at 48 or 58? What could have been done to prevent this from happening? We need to treat diseases before they occur. I will discuss next week the first step in prevention. It begins with hormone balance. Dr. Dan. (emphasis added)*

351. On March 14, 2012, Defendant HRC Medical stated the following on its Facebook page for its Knoxville office, in relevant part:

The benefits are definitely helpful to women who are undergoing perimenopause period. *It is true that aging cannot be prevented but you can always do something to stay young and healthy if you want to.* (emphasis added)

352. On June 18, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook page for the Memphis office:

The benefits are definitely helpful to women who are undergoing perimenopause period. It is true that aging cannot be prevented but you can always do something to stay young and healthy if you want to. If you have not scheduled your FREE consultation yet, give us a call!

353. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT acts as a general preventative or treatment of aging itself, diseases or conditions associated with aging, or diseases and conditions that are more prevalent among older individuals.

354. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT acts as a general preventative or treatment of aging itself, diseases and conditions associated with aging, or diseases and conditions that are more prevalent among older individuals.

#### **EXPRESS CARDIOVASCULAR BENEFIT CLAIMS**

355. The heart, blood, and blood vessels are the principal components of the cardiovascular system in the human body. Cardiovascular disease is the broad term for a class of diseases that concern the heart or blood vessels.

356. There is some evidence *to suggest* that estrogen-only therapy may play a protective role against heart disease *if* it is administered before the onset of heart disease. These studies, however, did not evaluate the effect of estrogen with mega-doses of testosterone, such as those found in Defendant HRC Medical's BHRT, nor the high estradiol dosages that Defendant HRC Medical, routinely gave with its BHRT.

357. Defendant HRC Management Midwest, Defendant HRC Medical, and Defendant Dan Hale, on behalf of Defendant HRC Medical, broadly claimed that Defendant HRC Medical's BHRT protected against various cardiovascular problems when those claims were false, deceptive, and/or unsubstantiated.

358. As an example, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in an advertisement for Defendant HRC Medical's BHRT on WSMV, in relevant part:

INTERVIEWER: Can you talk about that? Is it safe?

DAN HALE: I'm glad you asked that question. *So many people that they think that aw, it could cause heart attacks, strokes, blood clots, but every time they do those kind of studies they're talking about the synthetic kind. Every study done, there's many, many hundreds of studies that is [sic] out there that show hormones actually protect it, if it's the kind we had when we were 25 years old.* (emphasis added)

359. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

We know there's been a lot of studies done, some major, major studies like the Women's Health Initiative trial showed that the synthetic hormones can also cause damage because we know there's a higher incidence of breast cancer, cervical cancer, *blood clots, heart attacks, and strokes* with the synthetic, *but bioidentical makes them biologically identical, in other words it is you, so it's not something foreign to our body.* (emphasis added)

360. On another occasion, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in an advertisement for Defendant HRC Medical's BHRT on WSMV, in relevant part:

DAN HALE: *As a matter of fact there are a lot of studies that they've even shown that we're more protected from coronary heart disease, heart attacks, strokes, blood clots and even protected against cancer if our hormones are in balance.* (emphasis added)

361. On January 23, 2011, on its Facebook page for the Nashville office, Defendant HRC Medical stated the following, in advertisements for its BHRT, in relevant part:

Here are a few benefits outside of symptom relief. *In addition to the extensive symptom relief our patients experience consciously, there are multiple benefits that occur "under the radar" such as mitigation of bone loss, cholesterol reduction and cardiovascular benefits.* (emphasis added)

362. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, about Defendant HRC Medical's BHRT, in relevant part:

Heart attacks . . . Bio-Identical Hormones are most likely protective . . . *Synthetic hormones have many bad effects – 29% increase in heart disease . . . 40% increase in embolic diseases (blood clots) . . . HRT (ERT....estrogen replacement therapy) scares most women because they have the impression that all estrogens are dangerous. Bio-Identical Hormone Replacement is just the opposite . . . BHRT prevents disease while relieving symptoms.* (emphasis added)

363. Defendant HRC Medical stated that its BHRT helps with symptom relief including for:

[E]pisodes of rapid heartbeat, with or without anxiety. Out of nowhere my heart starts beating out of my chest.

364. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following about Defendant HRC Medical's BHRT:

Hormone replacement is a treatment of prevention instead of cure. . . . *Congestive heart failure - Testosterone strengthens the heart muscle.* (emphasis added)



365. On June 3, 2012, and June 23, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following consumer testimonial on their Facebook page for the Memphis office:

After 7 years of fighting the expected discomforts and changes of aging and menopause, I simply could not bare [sic] the creams and pills, and "snake oil" remedies anymore. I just wasn't me. I felt so tired all the time, but still tried to fight my weight by exercising after work and eating right. The weight continued to [increase] along with the belly fat. I was beyond unhappy. I was fighting a losing battle. When my libido was gone, I was done! So was my husband. So after hearing from friends about their great experience at HRC I decided to give it a try. And I am so glad I did and so is my husband! After being shown exactly how bad my hormone levels were, I happily had my first implant. . . . *My heart flutters were much less frequent*, and I was actually using my reading glasses less. It was hard to believe. I felt calm, but energetic, ready for walking anytime and staying up later. I could get through the 2 p.m. slump at work with no problem there was no slump! My craving for food was diminished greatly, and I could tell I was not on edge or feeling anxiety. I was just happier! So was my husband. On the flip side I could tell that my voice was a bit raspier and my hair was oilier, and my cheeks looked flush and rosy throughout the day, but those things will either pass in time or be of no consequence. I cannot believe the enormous change I felt in such a few days!! I can only think that the days ahead are going to be better and better. I feel so young again! And the things my balanced body are doing for me INSIDE that I cannot see if a whole exciting story in itself. The staff and nurses and doctors are wonderful and so informative. Their use of only the finest products and labs and pharmacies is impressive. I have recommended HRC to EVERYONE who will listen. And many around me are just watching so let them watch! Thank you, HRC, for giving me my (and my husband's) life back! Cindy - Patient

366. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT has cardiovascular benefits and can be used to treat, prevent, or cure cardiovascular disease.

367. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT has cardiovascular benefits or can be used to treat, prevent, or cure cardiovascular disease.

## EXPRESS CHOLESTEROL REDUCTION OR TREATMENT CLAIMS

368. Cholesterol and triglycerides are two forms of fat that circulate in the bloodstream. Cholesterol, in moderate levels, helps to build and maintain key structures within cells and maintain hormones. Generally speaking, cholesterol comes in two forms, low density lipoprotein (LDL) and high density lipoprotein (HDL).

369. In the bloodstream, “bad” cholesterol is carried in LDL and “good” cholesterol is carried in HDL. Elevated LDL levels have been strongly associated with an increased risk of heart attacks and strokes. Triglycerides, which are chains of high-energy fatty acids, provide a substantial portion of the energy an individual’s tissues need to function. But when the levels of cholesterol or triglycerides are too high, the risk of developing cardiovascular disease is greatly increased.

370. Defendant HRC Medical and Defendant Dan Hale, on behalf of Defendant HRC Medical, made numerous claims that Defendant HRC Medical’s BHRT reduced cholesterol or that it could be used to prevent, treat, or cure high cholesterol when those statements were false, deceptive, and/or not adequately substantiated.

371. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in an advertisement for Defendant HRC Medical BHRT on WSMV, in relevant part:

VOICE OVER: Dr. Hale says that there are other health benefits with hormone replacement therapy.

DAN HALE: *The average cholesterol reduction is 50 points. I’ve seen a 20 point reduction on nothing but just the hormones. Blood pressure. You know I was on blood pressure medicine—don’t take it anymore at all. Some people still have to be on it but at a reduced level. . . .* (emphasis added)

372. Defendant HRC Medical stated the following in advertisements about its BHRT:

The Benefits Beyond Feeling Better – Most everyone will receive relief of their symptoms: tiredness, depression, poor sleep, erectile dysfunction, vaginal dryness, hot flashes, and loss of muscle tone. But there are many benefits beyond just feeling better. . . . *Many times blood pressure is lowered as well as cholesterol.* Many studies show positive results of less strokes, ovarian cancer, and heart disease. (emphasis added)

373. Defendant HRC Medical stated the following on its website, [www.hrcmedical.com](http://www.hrcmedical.com), in relevant part:

Amor Vie™ therapy is an effective way to restore one's health *and alleviate the symptoms related to hormonal imbalance and deficiencies.*

Symptoms that indicate a lack of or imbalance of Estrogen, Testosterone, or Progesterone . . . *High Cholesterol.* (emphasis added)

374. In an advertising pamphlet for Defendant HRC Medical's BHRT, Defendant HRC Medical stated the following, in relevant part:

Hormone deficiency symptoms we don't have to live with: . . . . *high cholesterol.* (emphasis added)

375. Defendant HRC Medical stated the following in an advertisement for Defendant HRC Medical's BHRT, in relevant part:

*Bioidentical hormones are providing spectacular results for women of all ages. They can be beneficial for treating thyroid conditions and lowering cholesterol levels* and even improving the appearance of skin and hair. (emphasis added)

376. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT reduces ones cholesterol or can be used to treat, prevent, or cure high cholesterol.

377. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT reduces cholesterol or that Defendant HRC Medical's BHRT can be used to treat, prevent or cure high cholesterol.

#### **EXPRESS ALZHEIMER'S DISEASE AND MEMORY LOSS CLAIMS**

378. Alzheimer's Disease is a disease that causes brain cells to degenerate and die, causing a steady decline in memory and mental function.

379. Defendant HRC Management Midwest, Defendant HRC Medical, and Defendant Dan Hale, on behalf of Defendant HRC Medical, claimed that Defendant HRC Medical's BHRT treated, prevented, or cured Alzheimer's Disease and memory loss generally when those claims were false, deceptive, and/or not adequately substantiated.

380. Defendant HRC Medical stated the following, in relevant part:

*Hormones that are not balanced leads [sic] to breast cancer, ovarian cancer and Alzheimer's.* (emphasis added)

381. In an advertisement on WSMV, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*Without hormones, we develop Alzheimer's. . . . So all of those things are caused because of loss of hormones and we replace those hormones with natural hormones.* (emphasis added)

382. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*Let's talk about memory loss. This seems to be such a big, big problem when people lose their hormones. I remember my daughter, she's a pharmacist. She had a hysterectomy, which is surgical menopause. She just couldn't remember things at all. As a pharmacist, she said that she'll be trying to fill a prescription and she was thinking, "What is this medicine for?" That's a bad thing for a pharmacist. We put the bioidentical hormones in her and I think she said 'two weeks' in two weeks time she said my memory came back just as fresh as it was years ago. So many people will go*

to the store and they'll say why [sic] I am doing in this store? Or they can't remember where they put their car keys or can't remember people's names [unintelligible]. So that's hormones so remember there are more receptor sites for hormones in the brain than in any other part of the body. *So we know that hormones affect her thinking and her memory. So memory loss it can be helped with the bioidentical hormones.* (emphasis added)

383. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*With loss of hormones there is an increase in coronary artery disease and Alzheimer's. One author said, "Losing our hormones is like a vacuum sweeper sucking the life right out of you." But the good news is that we do not have to tolerate the ravages of loss of hormones. These hormones can be replaced by natural hormones that are exactly like the hormones you had when you were 25. You can live a longer and healthier life. We all want our health to last as long as our life. Please let us help at HRC Medical. Dr. Dan.* (emphasis added)

384. On September 9, 2011, Defendant HRC Medical stated the following, on its Facebook page for its Nashville office, in relevant part:

*SYMPTOMS OF HORMONE IMBALANCE: - Memory Loss . . . If you are tired of suffering from any of these symptoms give HRC Medical a call today and schedule your free 20 minute consultation.* (emphasis added)

385. On September 8, 2011, Defendant HRC Medical stated the following, on its Facebook page for its Nashville office, in relevant part:

*Here is one of our Frequently Asked Questions: What should I expect after the procedure? Within 10 to 14 days you should begin feeling the relief of some of your symptoms. In 2 to 3 weeks you should see a marked difference . . . more energy, increased sex drive, better rest, better memory, better mood, and better able [sic] to handle stress.* (emphasis added)

386. On August 5, 2012, Defendant HRC Medical and Defendant HRC Management Midwest stated the following, on their Facebook account for the Memphis office, in relevant part:

*Hormones enter into all 100,000,000,000,000 (that's 100 trillion) cells in our body. Inside the cells hormones start a cascade of reactions which causes the "target cell" to perform the intended functions, to produce energy, to aid in memory, to increase the sex drive, to increase muscle development, to build bones, etc. Without this action by*

*hormones these functions gradually decline.* That is called menopause in women and andropause in men. When hormones begin to decline this is a sign of the beginning of the dying process. *Our bodies cannot function as well (cannot function at all) without hormones.* (emphasis added)

387. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can be used to treat, prevent or cure Alzheimer's Disease or memory loss generally.

388. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure Alzheimer's Disease or memory loss generally.

### **EXPRESS DIABETES CLAIMS**

389. Diabetes refers to a group of diseases that affect how one's body uses blood glucose ("blood sugar"). Glucose is an important source of energy for the cells that make up one's muscles, tissues, and organs. Regardless of the type of diabetes, it means that the individual has too much glucose in his or her blood, although the reasons may differ. Too much glucose in the blood can lead to serious health problems.

390. Defendant HRC Medical and Defendant Dan Hale claimed that Defendant HRC Medical's BHRT prevented, treated, or cured diabetes when those claims were false, deceptive, and/or not adequately substantiated.

391. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*Diabetes – Many are able to reduce or even discontinue their diabetes medications.*  
(emphasis added)

392. Defendant HRC Medical stated the following about its BHRT, in relevant part:

*Many can reduce their use of oral anti-diabetic medications.* (emphasis added)

393. Defendant HRC Medical stated the following, in relevant part:

*Many type 2 diabetics are able to decrease or discontinue their medicines and control their blood sugars with diet and exercise alone.* (emphasis added)

394. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated on multiple occasions that Defendant HRC Medical's BHRT can prevent the onset of diabetes.

395. For example, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following:

*Last week we learned that hormones can actually change our genes, which changes our chances of developing . . . diabetes . . . How does this work? Hormones enter into all 100,000,000,000 (that's 100 trillion) cells in our body. Inside the cells hormones start a cascade of reactions which causes the "target cell" to perform the intended functions, to produce energy, to aid in memory, to increase the sex drive, to increase muscle development, to build bones, etc. Without this action by hormones these functions gradually decline . . . Our bodies cannot function as well (cannot function at all) without hormones. That is why it is crucial to replace these lost hormones. But the key is to replace them (estradiol, progesterone, and testosterone) with hormones that are an exact duplicate of those we had when we were 25 year [sic] old.* (emphasis added)

396. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure diabetes.

397. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure diabetes.

**EXPRESS DEPRESSION OR ANTI-DEPRESSANT SUPERIORITY,  
EFFICACY, OR EQUIVALENCY CLAIMS**

398. Clinical depression is a mood disorder characterized by long periods of feelings of sadness, loss, anger, or frustration.

399. Defendant HRC Management Midwest, Defendant HRC Medical, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated that Defendant HRC Medical's BHRT could be used to treat, prevent or cure depression and that it operated as a safer alternative to FDA-approved anti-depressants with the same efficacy when those claims were false, deceptive, and/or not adequately substantiated.

400. For example, Defendant HRC Medical stated the following on its website:

*The Benefits Beyond Feeling Better Most everyone will receive relief of their symptoms: . . . depression . . .* (emphasis added)

401. Defendant HRC Medical also stated the following, in advertisements about its BHRT, in relevant part:

*Last year there were 118,000,000 prescriptions written for anti-depressants. This does not have to happen. When your hormones are balanced you will sleep much better, have an active sex life and be able to get off your anti-depressants.* (emphasis added)

402. Elsewhere, Defendant HRC Medical stated in advertisements for its BHRT the following on its website, in relevant part:

*Inadequate hormone levels can attribute to . . . even depression . . . . In many cases these negative effects are ignored or discounted by the traditional medicine. Some look at these symptoms as being part of the aging process and suffering individuals are told to "deal with it," "it will pass" or "this comes with getting older." The good news is that in most cases these conditions can be treated through use of our exclusive bio-natural Amor Vie Therapy. . . We do not only relieve our patients [sic] symptoms, we treat the actual cause of them.* (emphasis added)

403. Defendant HRC Medical also stated the following, about its BHRT in advertisements, in relevant part:

*Amor Vie™ therapy is an effective way to restore ones [sic] health and alleviate the symptoms related to hormonal imbalance and deficiencies. Symptoms that indicate a lack of or imbalance of Estrogen, Testosterone, or Progesterone Symptoms Affecting Both Males & Females . . . Depression . . .* (emphasis added)



404. Defendant HRC Medical also stated the following, about its BHRT in its advertisements, in relevant part:

If you're suffering from any of the symptoms you see on the screen [[Screen Shot Says] *Symptoms of Hormone Imbalance Depression . . .* ] we urge you to take the Amor Vie test today and find out if Amor Vie therapy is right for you. . . . *If you do have a hormone imbalance, HRC will design a program specifically for you based on your symptoms, your body and your needs. So don't settle for suffering, call HRC Medical today!* (emphasis added)

405. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in advertisements for Defendant HRC Medical's BHRT, in relevant part:

*It's wonderful to get rid of the hot flashes, night sweats, the restless leg syndrome, the depression, it's wonderful to get rid of those things, but we also need to think about our overall health with the hormones for years and years to come.* (emphasis added)

406. Defendant Dan Hale, on behalf of Defendant HRC Medical, and Defendant HRC Medical stated the following, in advertisements about Defendant HRC Medical's BHRT, in relevant part:

The second hormone women loose [sic] is progesterone. This is seen as a change in the menstrual cycle, sleep disturbance, agitation, and *depression*. This is sad to see because often the patient will see their primary care doctor and after a short conversation will be told, 'I am going to put you on an anti-depressant. This will help with your anxiety and help you cope.' This is so sad because you do not have a 'Prozac deficiency', you have a hormone deficiency. There are many side effects to these medications including: weight gain, markedly decreased sex drive and an inability to have an orgasm. Last year there were 118,000,000 prescriptions written for anti-depressants. This does not have to happen. *When your hormones are balanced you will sleep much better, have an active sex life and be able to get off your anti-depressants.* (emphasis added)

407. Defendant HRC Medical stated the following, about its BHRT, in relevant part:

Natural hormones as we had when we were 25 do not have the side effects associated with synthetics. Many studies have been done showing the beneficial effects of

replacing these hormones as they decline. . . . *Many studies can be found on medical web sites showing there is less . . . depression . . .* (emphasis added)

408. In advertisements for its BHRT, Defendant HRC Medical used consumer testimonials to assert that its BHRT can be used to treat depression. For example, consumers in ads for Defendant HRC Medical's BHRT stated the following:

Testimonial 1: Before I came to HRC Medical, *I was very depressed. I was very unhappy. I was crabby. I was not really looking forward to the rest of my life because I really felt like I lived my life. Everything was done.*

Testimonial 2: I was sitting on my couch one day doing nothing and I had been doing nothing for months and I felt miserable, I couldn't sleep.

Testimonial 3: People used to call me "sunshine" and for a while there I lost it, *the sun had kind of set.* I didn't have me.

Testimonial 4: I didn't want to be around any other people. I didn't want to be around my immediate family half of the time. *I just wanted to be alone.*

Testimonial 5: I just wasn't happy. Things that made me happy didn't work. Didn't seem to help by exercise or by visiting my friends, it still didn't help. I was just very unhappy. I was sad, I felt old and tired.

Testimonial 6: *My life had become a dark and lonely place.*

These are heartbreaking stories. Fortunately, the solution is right here. Amor Vie therapy from HRC.

Testimonial 1: Since I started the Amor Vie hormone therapy, every day is like a vacation. That's a good day.

Testimonial 2: Now that I have Amor Vie therapy, my life is a ball and most people that know me know that something really exciting has happened.

Testimonial 3: Now the sun is rising again. I actually do get people that call me "sunshine" again. I even have a friend that calls me champagne. She says, "You bubble over." I love that.

Testimonial 4: I get up in the mornings, I take a shower and I'm on with my day and I accomplish so much during the day and have a smile on my face when my children arrive home from school. (emphasis added)

409. On June 26, 2012, and July 25, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook account for the Memphis office:

Hormone deficiencies and imbalances can have a severe negative impact on daily lifestyles in both men and women. Inadequate hormone levels can attribute to loss of energy, low sex drive, sexual dysfunction, weight gain, hot flashes and night sweats, loss of lean muscle, *even depression and mood swings*, to mention only a few. In many cases these negative effects are ignored or discounted by the [sic] traditional medicine. Some look at these symptoms as being part of the aging process and suffering individuals are told to "deal with it", "it will pass" or "this comes with getting older". *The good news that in most cases these conditions can be treated through use of our exclusive bio-natural Amor Vie® Therapy.* At HRC we achieve optimized hormone levels for our patients by restoring those levels back to that of their prime not just the levels for mid-life or senior adults. We are so confident that we can optimize an individual's hormone levels we offer a written guarantee. We do not only relieve our patients [sic] symptoms, we treat the actual cause of them. (emphasis added)

410. On July 9, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook account for the Memphis office:

*Depression can be the result of any number of underlying causes ranging from clinical depression, to a chemical imbalance, to emotional trauma. Another possibility may be through the loss of hormones. For some, rebalancing their hormones may provide "light at the end of the tunnel".* Call HRC Medical Center today to see if Amor Vie Therapy is right for you! (emphasis added)

411. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure depression or that it is superior to or as effective as pharmaceutical anti-depressants.


412. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT is superior to or as effective as pharmaceutical anti-depressants or that it can be used to, treat, prevent, or cure depression.

### **EXPRESS ATTENTION DEFICIT HYPERACTIVITY DISORDER CLAIMS**

413. Attention Deficit Hyperactivity Disorder (ADHD) is a developmental disorder that most often manifests itself as hyperactivity and difficulty maintaining focus on a given task. It is diagnosed and studied mostly in children, but can also be a chronic condition that lasts into adulthood.

414. Defendant HRC Medical claimed that its BHRT can be used to treat, prevent, or cure ADHD when those claims were false, deceptive, and/or not adequately substantiated.

415. Defendant HRC Medical stated on its website, [www.hrcmedical.com](http://www.hrcmedical.com), excerpted below in Figure 17, that its BHRT could treat the following symptoms, including ADHD.



**Symptoms Treated With Bio-Identical Hormones**  
The most common symptoms men and women face without sufficient hormones are:

• Poor sleep	• Loss of muscle tone
• Fatigue	• Decreased exercise
• Loss of sex drive	• Vaginal dryness
• Weight gain	• Depression
• Anxiety	• Stress
• ADHD	• Menstrual migraine headaches
• Hot flashes	• Night sweats
• Erectile dysfunction	• Osteoporosis
• Dry skin	• Diabetes mellitus
• Fibromyalgia	• Restless leg syndrome
• Palpitations	• Chronic fatigue syndrome
• Memory lapse	• Body-Joint Pains
• Painful intercourse	• Dry skin
• High cholesterol	• Hair loss
• Irritability	• Mood swings
• Poor concentration	• Self-confidence

416. For example, Defendant HRC Medical stated the following about its advertisements about Defendant HRC Medical's BHRT, in relevant part:

*Some have been able to reduce their use of ADHD medications. For a time one may not have complete relief of their symptoms, but these disease processes improve with Bio-Identical Pellet Hormone Replacement Therapy.* (emphasis added)

417. In advertisements for its BHRT, Defendant HRC Medical listed ADHD as one of the conditions for which its BHRT provides relief.

418. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure ADHD.

419. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can be used to treat, prevent or cure ADHD.

### **EXPRESS FIBROMYALGIA CLAIMS**

420. Fibromyalgia is an ill-defined disorder loosely characterized by widespread musculoskeletal pain accompanied by fatigue, sleep, memory, and mood issues.

421. Defendant HRC Medical and Defendant Dan Hale claimed that Defendant HRC Medical's BHRT could be used to treat, prevent, or cure fibromyalgia when those claims were false, deceptive, and/or not adequately substantiated.

422. For example, Defendant HRC Medical and Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*Fibromyalgia – Progesterone relieves stress which is frequently the etiology of the inflammation of the muscles and ligaments and joints with fibromyalgia.* (emphasis added)

423. Defendant HRC Medical stated the following in a brochure advertising its BHRT, in relevant part:

*Symptoms that indicate a lack or imbalance of Estrogen, Testosterone, or Progesterone: Symptoms Affecting Both Males and Females: . . . . Fibromyalgia . . . . Naturally derived Amor Vie will renew the hormone levels of your prime! . . . . Amor Vie is delivered in pellet form, which has been shown to produce higher sustained levels of hormone effectiveness, as compared to other methods. Amor Vie is delivered in pellet form, which has been shown to produce higher sustained levels of hormone effectiveness, as compared to other methods. Rejoice! Amor Vie guarantees that your hormone levels will improve! HRC Medical patient sampling indicates that regular treatment provides a sustained hormone level, consistent with that of our prime. Our patients have self-reported life-changing IMPROVEMENTS in symptom relief.* (emphasis added)

424. Defendant HRC Medical stated the following, in relevant part:

*Lack of progesterone has been shown to be a factor in causing fibromyalgia . . . . You can prevent many of the negative consequences of the loss of hormones. Let HRC Medical help you. Dr. Dan Hale 10/10/11.* (emphasis added)

425. On its Facebook page for its Nashville office, Defendant HRC Medical stated the following on a post containing a link to consumer testimonials, in relevant part:

*Do you suffer from Fibromyalgia?* (emphasis added)

426. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure fibromyalgia.

427. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure fibromyalgia.

### **EXPRESS ARTHRITIS CLAIMS**

428. Arthritis is a condition characterized by chronic joint pain and joint stiffness.

429. Defendant HRC Medical claimed that its BHRT could be used to treat, prevent, or cure arthritis when those claims were false, deceptive, and/or not adequately substantiated.

430. On July 19, 2011, Defendant HRC Medical stated the following on its Facebook page for its Knoxville office, in relevant part:

Did you know that hormones control every system of the body. Hormone replacement is a treatment of prevention of disease instead of cure. *Most diseases . . . Heart attacks, strokes, arthritis, loss of sex drive, obesity, breast and cervical cancers, fatigue, poor sleep . . . occur after age 40. 98% of the patients over 40 have low hormones. Let HRC Knoxville help balance your life.* Contact our office @ (865) 670-0039 with any questions or to schedule your free consultation today. (emphasis added)

431. For example, on March 29, 2012, Defendant HRC Medical stated the following on its Facebook page for its Nashville office, in relevant part:

*Joint & Body Aches, much like the effects of arthritis, is generally caused by inflammation of the affected area. Testosterone is a natural anti-inflammatory. As testosterone is replenished in our bodies it can have the effect of reducing the swelling that causes these aches.* (emphasis added)

432. On November 11, 2011, Defendant HRC Medical stated the following on its Facebook page for its Nashville office, in relevant part:

*Did you know that if you suffer from Arthritis, Hormone Replacement Therapy may help you? Testosterone functions as a natural anti-inflammatory. Call HRC Medical Center today to schedule your free consultation.* (emphasis added)

433. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure arthritis.

434. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure arthritis.

## EXPRESS RESTLESS LEG SYNDROME CLAIMS

435. Restless Leg Syndrome is a vaguely-defined disorder in which an individual feels a near-constant urge or need to move the legs to stop unpleasant sensations.

436. Defendant HRC Management Midwest, Defendant HRC Medical, and Defendant Dan Hale, on behalf of Defendant HRC Medical, claimed that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure Restless Leg Syndrome when those claims were false, deceptive, and/or not adequately substantiated.

437. Defendant HRC Medical stated the following in a brochure distributed to prospective customers in Tennessee about Defendant HRC Medical's BHRT:

*Hormone deficiency symptoms we don't have to live with . . . restless leg syndrome*  
... (emphasis added)

438. Likewise, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

*Many studies have been done showing the beneficial effects of replacing these hormones as they decline. As a matter of fact, these studies show that the earlier the better, even replacing diminishing hormones in perimenopause (the early stages of menopause) is more beneficial than waiting until menopause. Many studies can be found on medical web sites showing there is . . . a resolution of restless leg syndrome.*  
(emphasis added)

439. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

*It's wonderful to get rid of the hot flashes, night sweats, the restless leg syndrome, the depression, it's wonderful to get rid of those things, but we also need to think about our overall health with the hormones for years and years to come.* (emphasis added)

440. On its Facebook page for its Knoxville office, Defendant HRC Medical stated the following about its BHRT, in relevant part:



*Estradiol* should relieve hot flashes, night sweats, vaginal dryness, dry skin, *helps with* sexual dysfunction, menstrual migraines, palpitations, *restless leg syndrome* and along with testosterone, reverses osteoporosis. (emphasis added)

441. Defendant HRC Medical stated the following in advertisements for its BHRT, in relevant part:

*[M]any of our patients with Restless Leg Syndrome have experienced relief of symptoms with the use of AMOR VIE Therapy* allowing them to sleep more soundly at night. (emphasis added)

442. On October 3, 2011, on its Facebook page for its Nashville office, Defendant HRC Medical stated the following about its BHRT, in relevant part:

Do you suffer from: *Restless Leg Syndrome . . . ?* These are the most common symptoms for people without sufficient hormones. Contact HRC Medical Center to schedule your free consultation. (emphasis added)

443. On June 11, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook page for the Memphis office:

I began this program April 2011, a 48 year old woman losing sleep, *enduring restless legs nightly*, chronic fatigue, and constant night sweats. As a registered nurse I need my energy and sleep to be the best I can be to care for my patients. Additionally, my sex drive dipped to zero! *Until HRC I attributed all of this to mid life change. After 9 months of treatment I feel like a new woman. Middle aged women do not have to endure all those symptoms. My quality of life has improved greatly.* Thank you. Pam (emphasis added)

444. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure Restless Leg Syndrome.

445. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure Restless Leg Syndrome.

## EXPRESS HEAD HAIR GROWTH OR INCREASED HEAD HAIR THICKNESS CLAIMS

446. Baldness or thinning hair refers to excessive hair loss from one's scalp. Baldness or thinning hair occurs mostly in men, but can also be found in women.

447. Defendant Dan Hale, on behalf of Defendant HRC Medical, Defendant Don Hale, on behalf of Defendant HRC Medical, and Defendant HRC Medical claimed that Defendant HRC Medical's BHRT would promote head hair growth or increased head hair thickness when those claims were false, deceptive, and/or not adequately substantiated.

448. Defendant HRC Medical's BHRT did not prevent, treat, or cure baldness or thinning hair—*rather Defendant HRC Medical's BHRT could cause it.*

449. Defendant HRC Medical repeatedly stated that hair loss is a symptom of low hormone levels that could be alleviated by its BHRT.

450. Defendant HRC Medical stated the following in brochures for its BHRT distributed in Tennessee to prospective consumers, in relevant part:

*Hormone deficiency symptoms we don't have to live with: . . . hair loss . . .* (emphasis added)

451. Defendant HRC Medical stated the following on its Facebook page for its Nashville office regarding BHRT:

*Do you suffer from: Restless Leg Syndrome, Chronic Fatigue Syndrome, Body-Joint Pains, Dry Skin, Hair Loss, or Mood Swings? These are the most common symptoms for people without sufficient hormones. Contact HRC Medical Center to schedule your free consultation.* (emphasis added)

452. Defendant HRC Medical featured consumer testimonials to advance this increased hair thickness claim. As an example, on its Facebook page for its Nashville office, Defendant HRC Medical stated:

Great Review! Rachel – Nov. 22, 2011 HRC Medical Center has changed my life! My skin is so clear, *and the hair I was loosing [sic] is thicker and smoother now than it has ever been!* My confidence level has grown and I am not ashamed to meet people now! Thank you for all you have done! (emphasis added)

453. Defendant Don Hale made the following statement in a press release for Defendant HRC Medical about its BHRT, in relevant part:

Actress Suzanne Somers, preaching about the wonders of bioidentical hormones for more than a decade recently said menopause hit on her 50<sup>th</sup> birthday and almost ruined her life. ‘It began a three-year odyssey of not sleeping, moodiness, weight gain, *changes in my hair*, changes in my skin, body itches [and] rashes. By replacing my hormones with bioidentical hormones, I got my life back, my health, my figure-I got my happiness back,’ she says. ‘*Everything in my life is better.*’ *We want to tell this story to the masses and we certainly have stores of many happy and healthy clients to share, reflects Don Hale of HRC Medical Center.* (emphasis added)

454. Defendant Dan Hale, on behalf of Defendant HRC Medical, in advertisements for Defendant HRC Medical’s BHRT, made the following statement, in relevant part:

By age 35 the hormone progesterone will begin to drop off in women. This causes changes in the menstrual cycle, agitation, poor sleep, and *hair loss*. . . . *The good news is you do not have to just live with it.* You can have the same natural hormones you had when you were 25. You can regain that youthful feeling. *You can prevent many of the negative consequences of the loss of hormones.* Let HRC Medical help you. Dr. Dan Hale 10/10/11. (emphasis added)

455. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical’s BHRT can be used to treat, prevent, or cure hair loss or can thicken a user’s hair.

456. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure hair loss or can thicken a user's hair.

457. Numerous female consumers of Defendant HRC Medical's BHRT in Tennessee experienced hair loss on their head after taking Defendant HRC Medical's BHRT.

458. One female consumer who took Defendant HRC Medical's BHRT stated the following:

After four months of taking the treatment, the hair on my head began to fall out. Prior to this happening, I had never experienced excessive hair loss on my head. . . . To this day, . . . the hair on my head has continued to fall out. . . . The hair loss from my head became so bad that I would find clumps of hair in my pool. On one occasion, after a week's time, there was a clump of my hair the size of a dinner plate circulating in the center of my pool where the water from the filters is directed."

459. Another female consumer stated the following about her experience taking Defendant HRC Medical's BHRT:

After four months of taking the treatment, the hair on my head began to fall out. Prior to this happening, I had never experienced excessive hair loss on my head. . . . To this day, . . . the hair on my head has continued to fall out. . . . Since stopping treatments with HRC, I have spent at least \$600 on Nioxin and other products to try and correct hair loss. I still currently experience hair loss on my head. Prior to starting hormone replacement therapy at HRC, I had long, thick, wavy hair of which I was extremely fond and that I considered to be my pride and joy. [I] asked my husband to stop running his fingers through my hair because I was concerned that more hair would fall out in clumps.

460. Male consumers of Defendant HRC Medical's BHRT in Tennessee also experienced hair loss on their head after taking Defendant HRC Medical's BHRT.

#### **EXPRESS WEIGHT LOSS AND WEIGHT CONTROL CLAIMS**

461. Defendant HRC Management Midwest, Defendant HRC Medical, Defendant Don Hale, on behalf of Defendant HRC Medical, and Defendant Dan Hale, on behalf of Defendant HRC

Medical, all claimed that Defendant HRC Medical's BHRT can cause weight loss when those claims were false, deceptive, and/or not adequately substantiated.

462. Defendant HRC Medical stated the following in a brochure distributed in Tennessee for its BHRT, in relevant part:

*Hormone deficiency symptoms we don't have to live with: . . . weight gain . . .*  
(emphasis added)

463. Defendant HRC Medical and Defendant Dan Hale, on behalf of Defendant HRC Medical, used "weight loss" claims, like "lose weight," in backgrounds, posters, and other advertising materials for Defendant HRC Medical's BHRT. An example is shown below in Figure 18:

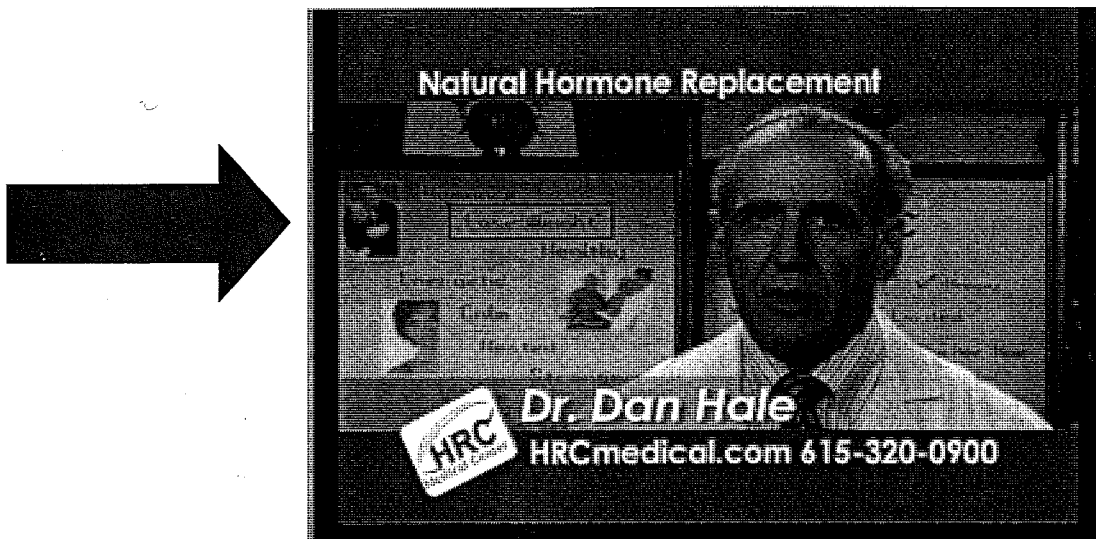


Fig. 18  
(Red rectangle added)

464. In a Frequently Asked Questions document about Defendant HRC Medical's BHRT, Defendant HRC Medical stated the following:



### FREQUENTLY ASKED QUESTIONS...

- **When will I start losing weight?**
  - The answer to this question is different for everyone. Hormone patients who incorporate a healthy lifestyle (diet and exercise), lose weight at a faster rate than those who don't.
  - Take advantage of the high levels of testosterone circulating through your body.
    - Weight bearing exercises will help you build strong, toned, lean muscle mass.
    - Building lean muscle will burn fat, speed up your metabolism, and make you feel great!

465. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

*Testosterone in women gives the ability to maintain a healthy weight . . .* (emphasis added)

466. In an advertisement for BHRT on WSMV, Defendant Dan Hale, on behalf of Defendant HRC Medical stated the following, in relevant part:

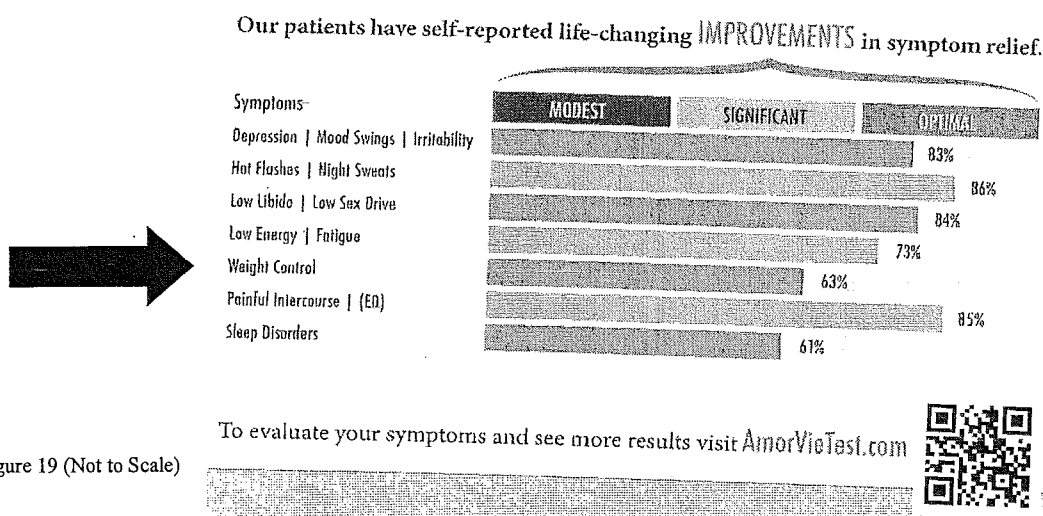
The main two [hormones] that we deal with is the *testosterone* and that gives you certain things, the energy, the sex drive, *it helps you lose the weight.* (emphasis added)

467. In an advertisement for BHRT on WSMV, Defendant Dan Hale, on behalf of Defendant HRC Medical stated the following, in relevant part:

We start losing our hormones and when we start losing the hormones, that when all the bad things begin happening. *So it's really not our fault that we can't lose weight.* It's not our fault that we feel tired. *It's because we don't have the hormones we had when we were 20 years old.* (emphasis added)

468. In a brochure distributed to prospective consumers in Tennessee about its BHRT, excerpted below in Figure 19, Defendant HRC Medical and Defendant HRC Management Midwest asserted the following, in relevant part:

*Our patients have self-reported life-changing IMPROVEMENTS in symptom relief. . Symptoms: Weight Control [Graph shows 63% in "significant" zone] (emphasis added)*



469. On July 25, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook account for the Memphis office:

Hormone deficiencies and imbalances can have a severe negative impact on daily lifestyles in both men and women. Inadequate hormone levels can attribute to loss of energy, low sex drive, sexual dysfunction, *weight gain*, hot flashes and night sweats, loss of lean muscle, even depression and mood swings, to mention only a few. In many cases these negative effects are ignored or discounted by the [sic] traditional medicine. Some look at these symptoms as being part of the aging process and suffering individuals are told to "deal with it", "it will pass" or "this comes with getting older". *The good news that in most cases these conditions can be treated through use of our exclusive bio-natural Amor Vie® Therapy.* At HRC we achieve optimized hormone levels for our patients by restoring those levels back to that of their prime not just the levels for mid-life or senior adults. We are so confident that we can optimize an individual's hormone levels we offer a written guarantee. *We do not only relieve our patients [sic] symptoms, we treat the actual cause of them.* (emphasis added)

470. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

*Obesity Testosterone lowers insulin levels which allows weight loss. 100% of our patients who are overweight are low in hormones, especially testosterone. (emphasis added)*

471. On July 19, 2011, Defendant HRC Medical stated the following about its BHRT on its Facebook page for its Knoxville office:

Did you know that hormones control every system of the body. Hormone replacement is a treatment of prevention of disease instead of cure. Most diseases . . . *obesity* . . . occur after age 40. 98% of the patients over 40 have low hormones. Let HRC Knoxville help balance your life. Contact our office @ (865) 670-0039 with any questions or to schedule your free consultation today. (emphasis added)

472. On February 16, 2012, Defendant HRC Medical stated the following on its Facebook page for its Knoxville office, in relevant part:

Hormone deficiencies and imbalances can have a severe negative impact on daily lifestyles in both men and women. *Inadequate hormone levels can attribute* to loss of energy, low sex drive, sexual dysfunction, *weight gain*, hot flashes and night sweats, loss of lean muscle, even depression and mood swings, to mention only a few. In many cases these negative effects are ignored or discounted by traditional medicine. Some look at these symptoms as being part of the aging process and suffering individuals are told "to deal with it", "it will pass" or "this comes with getting older". *The good news is that in most cases these conditions can be treated through use of our exclusive bio-natural Amor Vie(R) Therapy.* At HRC we achieve optimized hormone levels for our patients by restoring those levels back to that of their prime not just the levels for mid-life or senior adults. *We are so confident that we can optimize an individual's hormone levels we offer a written guarantee. We do not only relieve our patients [sic] symptoms, we treat the actual cause of them.* (emphasis added)

473. Defendant HRC Medical stated the following in an advertisement for its BHRT, in relevant part:

At age 30 both men and women start producing less testosterone. Men will decrease by 90% their production of testosterone from age 25 to 70. Most of us do not want to be producing 90% less of anything we had when we were 25. *Men will usually develop a belly even though they haven't changed their diet. . . .* The production of



testosterone is the first hormone to begin decreasing. *Men and women see this as weight gain and loss of muscle mass. Most will lose 10 ounces of muscle per year after age 30. This is about the size of a good steak. Lost every year. And replaced with fat. . . . [At the conclusion] These hormones can be replaced by natural hormones that are exactly like the hormones you had when you were 25. You can live a longer and healthier life. We all want our health to last as long as our life. Please let us help at HRC Medical. Dr. Dan. (emphasis added)*

474. Defendant Dan Hale, on behalf of Defendant HRC Medical, engaged in the following dialogue with WSMV in advertisements for BHRT:

DAN HALE: Amor Vie is a process replacing hormones with checking the blood to find out where your hormone deficiencies are. . . .

WSMV: So what are some common symptoms your patients are faced with when they come in and see you?

DAN HALE: There's a whole list of probably 50 different symptoms. . . . With men, it's putting on weight in or around the belly. . . .

WSMV: We've got a whole list of symptoms on the screen right there that people face [screen shows "weight gain" among other symptoms]. . . .

DAN HALE: The next thing is weight gain, so many women, especially, trying to lose weight, they exercise not seeing any results. . . .

DAN HALE: A loss of hormones causes a lot of symptoms. . . . *Without hormones, bad things begin to happen. Without hormones we develop Alzheimer's, high blood pressure, high cholesterol. We have weight gains [sic], especially around the belly and around the butt. We have loss of muscle development. So all of those things are caused because of loss of hormones we replace those hormones with natural hormones. (emphasis added)*

475. Defendant HRC Medical stated the following in advertisements for its BHRT, in relevant part:

*Amor Vie™ therapy is an effective way to restore one's health and alleviate the symptoms related to hormonal imbalance and deficiencies. Symptoms that indicate a lack of imbalance of Estrogen, Testosterone, or Progesterone Symptoms Affecting Both Males & Females . . . Weight Gain. . . (emphasis added)*

476. Defendant Dan Hale, on behalf of Defendant HRC Medical, engaged in the following dialogue with WSMV in advertisements for BHRT:

WSMV: Now, what are some common symptoms your patients are faced with so viewers know if they have a possible hormone imbalance?

DAN HALE: There are a lot of symptoms related to loss of hormones. *With women, they're . . . going to put on weight. . . .* (emphasis added)

477. Defendant Don Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in advertisements for Defendant HRC Medical's BHRT:

DON HALE: The first thing we're doing is we check your blood level to see where your hormone levels are. From that we know where we want you to be and most people that come in that they have the symptoms of . . . *overweight* . . . those people we know the hormone levels are low.

VOICE OVER: The Amor Vie pellet is implanted under the skin through a tiny slit in your hip. Some people within a matter of a couple of days, they're feeling a difference. Within a matter of two weeks, they're usually getting the full benefit . . .

DON HALE: *People talk about the middle age spread. I was one that has always had to fight weight and I lost 26 pounds right after I did this.* (emphasis added)

478. On March 23, 2011, in a Facebook post for the Nashville office, Defendant Don Hale, on behalf of Defendant HRC Medical, stated the following about Defendant HRC Medical's BHRT, in relevant part:

My wife and I both started the treatment 3 ½ years ago. It has changes [sic] our lives. Not only the energy, *weight control*, better sleep, but the passion it put back in our relationship has been amazing . . . (emphasis added)

479. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

INTERVIEWER: Ok, now, um, *the symptoms that women have and the symptoms that men have that can relieve these, that is affected by hormonal imbalance*, share those with us, please, if you don't mind.

DAN HALE: The most common thing that women complain of is poor sleep, restless leg syndrome, decreased sex drive, *weight gain*, tired all the time. Those things are in women. Men complain of tiredness all the time, the complaint of erectile dysfunction, *pot belly or weight gain*. *A lot of those things are caused from lack of hormones.* (emphasis added)

480. Defendant HRC Medical stated the following in a press release in which both Defendant Don Hale and Defendant Dan Hale are quoted, in relevant part:

*Actress Suzanne Somers, preaching about the wonders of bioidentical hormones for more than a decade recently said menopause hit on her 50th birthday and almost ruined her life. 'It began a three-year odyssey of not sleeping, moodiness, weight gain, changes in my hair, changes in my skin, body itches [and] rashes. By replacing my hormones with bioidentical hormones, I got my life back, my health, my figure-I got my happiness back,' she says. 'Everything in my life is better.' 'We want to tell this story to the masses and we certainly have stories of many happy and health clients to share,' reflects Don Hale of HRC Medical Center. 'To find something that can make anyone feel like they are in the prime of their life, it would simply be wrong to keep it a secret!'* ### Founded in 2005, by Dr. Dan Hale and Don Hale, HRC Medical Center provides the latest in anti-aging techniques. . . . (emphasis added)

481. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT on WSMV, in relevant part:

DAN HALE: The main two [hormones] we deal with is the testosterone and that gives you certain things, the energy, the sex drive, *helps you to lose the weight* . . . the estrogen is the hot flashes, the night sweats, the vaginal dryness that can cause painful intercourse. . . . (emphasis added)

482. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

*Loss of testosterone is seen as weight gain . . . . You can prevent many of the negative consequences of the loss of hormones. Let HRC Medical help you. Dr. Dan Hale.* (emphasis added)

483. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

INTERVIEWER: Now, what are, what symptoms are they faced with when they come in to see you?

DAN HALE: Women are going to have hot flashes, night sweats, vaginal dryness. They're going to be tired all of the time. *Having weight gain*, don't know why . . .

INTERVIEWER: No, I'm curious though. What age do most people consider this?

DAN HALE: Well, it honestly can be almost any age. Up from 22 to 92. We have these women, young girls in their 20s putting on weight and they don't know why. That's the problem with them is their testosterone may be too low. They need to have more energy where they- testosterone will help, take, will help build muscle mass instead of forming fat. (emphasis added)

484. On WZTV, Nashville's local Fox affiliate, Defendant HRC Medical paid for an advertisement for its BHRT using WZTV's on-air personalities which stated the following, in relevant part:

Low or unbalanced levels of these important hormones can cause . . . *weight gain* . . . HRC Medical uses bioidentical hormone replacement therapy to treat these and other symptoms. If you want to get back to feeling like yourself, the people at HRC Medical can help. Hormone replacements can rejuvenate your system giving you more energy, better focus. In essence, turn back the clock in so many ways. Our treatments are all natural safe, quick and long lasting. Thousands in Middle Tennessee have already discovered the difference made by hormone replacement. Now, it's your turn. Call for your free consultation today. HRC Medical – 320-0900. (emphasis added)

485. Defendant HRC Medical stated the following, in relevant part, in advertisements for its BHRT:

Our patients have self-reported life-changing IMPROVEMENTS in symptom relief. Depression/Mood Swings/ Irritability, Hot Flashes/Night Sweats, Low Libido/Low Sex Drive, Low Energy/Fatigue, *Weight Control*, Painful Intercourse/ED, Sleep Disorders . . . (emphasis added)

486. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following in advertisements for Defendant HRC Medical's BHRT, in relevant part:

DAN HALE: *You can lose weight. We've heard of the middle-aged spread. Well, that happens not because we're middle aged, it is because we don't have the*

*hormones we use to have. A lot of times men say, "I still have a chest, it's just dropped." Well, it doesn't have to drop. And the reason why those things happen is because of lack of hormones. Migraine headaches a lot of times of helped by bio-identical hormone replacement therapy.*

FEMALE INTERVIEWER: *It's really exciting to know that there is something that can be done for those things and that it's safe.*

DAN HALE: *Sure, I love doing this.* (emphasis added)

487. On June 1, 2012, and July 20, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following purported consumer testimonial on their Facebook page for the Memphis office:

I cannot express how much my life has improved with the natural hormone treatment. I have been looking for relief since my last daughter was born, 29 years ago. Every doctor that I went to said that it was normal and my hormones were fine. I knew that I should feel better, that anxiety and depression were not normal. All that was offered was medication for mood. But, medication only covered up the problem, any medication used to alter mood swings only covered up the problems, you may not feel sad, but you do not feel happy. It also reduces your sex drive, one contribution to my divorce after 26 years. Once I started with HRC I found relief. I am into my second year and would never give up the treatment. My overall disposition has improved, I feel happy and energetic, *my weight is now under control and I feel alive again.* I am a licensed massage therapist and I have recommended HRC to several of my clients. Several have started treatment and they are very happy with the results. For one client it has helped with her headaches. Each of us have experienced a different improvement, some with the first insert, while others it took time for the hormones to work. At every opportunity I share my experience with natural hormone replacement, knowing that there are many women and men that would benefit from this treatment. My second daughter is looking into starting this treatment. HRC Patient. (emphasis added)

488. On June 28, 2012, and July 21, 2012, Defendant HRC Medical and Defendant HRC Management Midwest stated the following, in relevant part, on their Facebook page for the Memphis office:

Many of our patients are driven to hormone replacement therapy because they somehow believe the weight will magically melt off when they begin treatment. *The Amor Vie Therapy can have a dramatic improvement in the reduction of weight.* But

it comes with the holistic impact of the improvement in many areas that lead the individual to focusing on attacking that area of their life. Contact HRC Medical Center to learn more! (emphasis added)

489. On August 8, 2012, Defendant HRC Medical and Defendant HRC Management Midwest stated the following on their Facebook page for the Memphis office:

Common symptoms such as restless sleep, anxiety, depression, mood swings, *weight gain*, dry skin, migraine headaches, lack of energy, or low sex drive are indicators that hormone levels are not in proper balance at the proper levels. Many young men and women have low hormone levels just because they do not take proper care of their bodies.

490. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT can cause a consumer to lose weight or have improved weight control.

491. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT can cause a consumer to lose weight or have improved weight control.

492. Many consumers of Defendant HRC Medical's BHRT have, in fact, gained weight while taking BHRT.

#### **EXPRESS CLAIMS ABOUT REPLACING HORMONES TO PRIME OF LIFE LEVELS**

493. All TCPA Defendants falsely, deceptively, and/or without adequate substantiation claimed that Defendant HRC Medical's BHRT restores a consumer's hormones to the levels that the consumer had when she or he was in her or his twenties and thirties or to the levels she or he had in her or his prime.

494. The key component of Defendant HRC Medical's BHRT for both men and women was testosterone.

495. For women in their twenties and thirties, testosterone is between 10 to 70 ng/dL in 95% of normal, healthy women though some laboratory ranges place this number between 0 and 65 ng/dL.

496. For women, Defendant HRC Medical's BHRT was intended to take a woman's testosterone levels to levels that do not naturally exist in most women—including women in their twenties and thirties.


497. Similarly, for men in their twenties and thirties, testosterone is between 200 and 700 ng/dL in 95% of men.

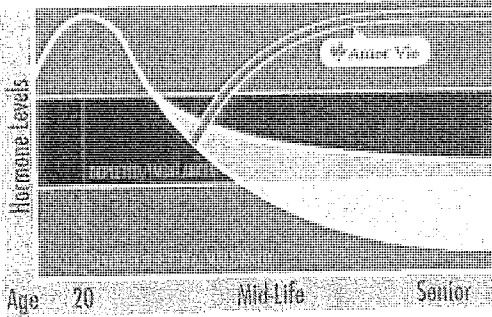
498. For men, Defendant HRC Medical's BHRT was intended to take a man's testosterone levels to levels that do not naturally exist in most men—including men in their twenties and thirties.

499. Defendant HRC Medical and Defendant HRC Management Midwest stated the following, as quoted and excerpted below in Figure 20, in a brochure distributed in Tennessee to prospective consumers of its BHRT.

Renew! **Naturally** derived Amor Vie™ will renew the hormone levels of your prime! Unlike many other hormone treatments, your Amor Vie™ therapy is personally designed to restore the optimal hormone levels found in your early 20's, not just the levels for a mid-life or senior adult.

# RENEW!

Naturally derived  Amor Vie™ will renew the hormone levels of your prime!




Unlike many other hormone treatments, your  Amor Vie™ therapy is personally designed to restore the optimal hormone levels found in your early 20's, not just the levels for a mid-life or senior adult.

Figure 20 (excerpt) (Not to scale)

500. Defendant HRC Medical stated the following, in relevant part, about its BHRT:

This is seen as a loss of the love-life we had when we were younger. *All of these losses can be re-gained [sic] by returning your testosterone to values we used to have.* (emphasis added)

501. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, about Defendant HRC Medical's BHRT:

That is why it is crucial to replace these lost hormones. *But the key is to replace them (estradiol, progesterone, and testosterone) with hormones that are an exact duplicate of those we had when we were 25 years old . . . Natural hormones as we had when we were 25 do not have the side effects associated with synthetics.* (emphasis added)

502. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in advertisements for Defendant HRC Medical's BHRT:

DAN HALE: *Bioidentical means biologically identical to the hormones you had when you were 20 years old.*

NARRATOR: *Wouldn't we all want to feel twenty again?* (emphasis added)



503. On February 16, 2012, Defendant HRC Medical stated on its Facebook page for its Knoxville office, the following, in relevant part, about its BHRT:

*At HRC we achieve optimized hormone levels for our patients by restoring those levels back to that of their prime* not just the levels for mid-life or senior adults. We are so confident that we can optimize an individual's hormone levels we offer a written guarantee . . . (emphasis added)

504. Defendant HRC Medical stated the following, in relevant part, in advertisements for its BHRT:

*Our pellets are identical to the hormones created naturally by the body when we were in our prime.* (emphasis added)

505. On July 25, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following, in relevant part, on their Facebook account for the Memphis office:

Hormone deficiencies and imbalances can have a severe negative impact on daily lifestyles in both men and women. Inadequate hormone levels can attribute to loss of energy, low sex drive, sexual dysfunction, weight gain, hot flashes and night sweats, loss of lean muscle, even depression and mood swings, to mention only a few. In many cases these negative effects are ignored or discounted by the [sic] traditional medicine. Some look at these symptoms as being part of the aging process and suffering individuals are told to "deal with it", "it will pass" or "this comes with getting older". The good news that in most cases these conditions can be treated through use of our exclusive bio-natural Amor Vie® Therapy. *At HRC we achieve optimized hormone levels for our patients by restoring those levels back to that of their prime not just the levels for mid-life or senior adults.* We are so confident that we can optimize an individual's hormone levels we offer a written guarantee. We do not only relieve our patients [sic] symptoms, we treat the actual cause of them. (emphasis added)

506. Similarly, on June 29, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following, in relevant part, on their Facebook account for the Memphis office:

@HRC Medical patient sampling indicates that regular treatment provides a sustained #hormone level, *consistent with that of our prime.* (emphasis added)

507. Defendant HRC Medical stated the following, in relevant part, in advertisements for its BHRT:

The reduction of the Hormones Estrogen, Progesterone and Testosterone in men can cause a myriad of symptoms affecting our health and the way we feel. HRC's AMOR VIE® therapy program is designed to help men & women to . . . RESTORE your Hormones, RENEW your life, and REJOICE in your success. . . . *When hormone levels are normal as they were in one's twenties, usually sleep under normal conditions is not a problem.* (emphasis added)

508. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, about Defendant HRC Medical's BHRT:

But the good news is that we do not have to tolerate the ravages of loss of hormones. *These hormones can be replaced by natural hormones that are exactly like the hormones you had when you were 25.* You can live a longer and healthier life. . . . Please let us help at HRC Medical. Dr. Dan. (emphasis added)

509. Defendant HRC Medical stated in a brochure distributed in Tennessee to prospective customers for its BHRT, the following, in relevant part:

Our treatment plan may provide you with the solution that, thus far, has been elusive to alleviating persistent symptoms caused by low testosterone. You may find more youthful energy return to benefit you and those around you by *restoring* your testosterone with bio-available natural testosterone through AMOR VIE® Therapy at HRC Medical. Individual results may vary. Please call us to see if AMOR VIE® is right for you. *RESTORE, RENEW, & REJOICE.* (emphasis added)

510. On January 5, 2012, Defendant HRC Medical stated the following, in relevant part, on its Facebook page for its Nashville office:

*Naturally derived Amor Vie will renew the hormone levels of your prime.* (emphasis added)

511. Elsewhere, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

Without hormones, we're just an empty shell of ourselves. I didn't get that quote from me – that was from Suzanne Somers – one of her books. But it's so – she hit the nail on the head because without hormones, we wish we were like we were but we're just not. We're not the same people. *But when we can replace those hormones, we're back like we were when we were 20–25 years old* and every day of my work day I have people say thank you for what you've done for me because I have my life back.

512. Defendant Don Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in advertisements about Defendant HRC Medical's BHRT:

No one can find any evidence that *having your hormone levels raised back like they were in your youth* can hurt you in any way if it's done with natural hormones as opposed to synthetic hormones. (emphasis added)

513. Defendant HRC Medical stated in advertisements for its BHRT, the following, in relevant part:

*We must first replace and restore [hormones that have] been lost over the years.* (emphasis added)

514. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in advertisements for Defendant HRC Medical's BHRT on WSMV:

*But when we can replace those hormones, we're back like we were when we were 20-25 years old . . .* (emphasis added)

515. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in advertisements for Defendant HRC Medical's BHRT:

So all of those deficiencies happen not because you get older, *but because we don't have the hormones we used to have when we were younger.* (emphasis added)

516. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in advertisements for Defendant HRC Medical's BHRT:

We use hormones that are natural, hormones that are *like the hormones you had when you were 25 years old* that are identical to those kinds of hormones, they're not the synthetic kind. (emphasis added)

517. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's BHRT replaces a consumer's hormone levels to the levels that he or she had in his or her twenties or thirties or during his or her prime.

518. Clinical studies, research, and/or trials do not show that Defendant HRC Medical's BHRT replaces a consumer's hormone levels to the levels that he or she had in his or her twenties or thirties or during his or her prime.

#### **EXPRESS FABRICATED AND CONTRADICTORY SUBSTANTIATION CLAIMS**

519. In materials handed out to consumers in Tennessee to promote Defendant HRC Medical's BHRT, Defendant HRC Medical used fabricated quotes about the purported benefits, efficacy, risks, and side effects of each hormone component of its therapy.

520. As an example, in a document titled "Consultant References," purporting to list references for "Estrogen," with the document number 100.007 noted in the lower right corner, Defendant HRC Medical used the following quote:

"Estradiol and progesterone demonstrated no increased risk of breast cancer. Synthetic estrogen (Premarin®) and synthetic progestins (medroxyprogesterone and noresterone) all dramatically increased the risk of breast cancer. This was a ten year study of over 100,000 women, the largest and longest study to date comparing natural hormones to synthetic hormones". *Breast Cancer Res Treat* 2007; 101: 125-134.

521. Not only is the quote not found in the study cited, the study did not concern 100,000 women, *but instead tested the effects of two combination therapies administered through marshmallows and Crystal Light on twenty-five postmenopausal, ovariectomized monkeys (cynomolgus macaques).*

522. In the same document, with the reference number 100.007 in the lower right corner, Defendant HRC Medical stated the following:

“Estrogen reduces the incidence of Alzheimer’s disease by 50%. JAMA 2002; 288:2123-2129.”

523. Not only is the quote not found in the study but it is a distortion of the limited findings of an observational study. In fact, the observational study cited concerned CEE, which all TCPA Defendants claimed to be completely different than Defendant HRC Medical’s BHRT.

524. TCPA Defendants simultaneously claimed that Defendant HRC Medical’s BHRT was completely different and divorced from the risks and side effects of “synthetic” CEE and then attempted to substantiate benefit claims based on the same CEE that they claimed was completely different.

525. Similarly, in a document titled “Consultant References” purporting to list references regarding “Progesterone,” with the document number 100.008 noted in the lower right corner, Defendant HRC Medical stated the following:

“Due to the side effects of synthetic progestin’s, natural progesterone is preferred. Progesterone has proven bio-availability and no side effects making it the preferred hormone for menopause.” American Family Physicians 2000; 62: 1339-46.

526. Not only does the quoted material not appear anywhere in the cited article, the article expressly mentions side effects associated with micronized progesterone, and the quoted material vastly overstates the limited findings of the article.

527. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact,

namely that the cited studies contain the quoted material, that the quotes are an accurate reflection of the cited studies, and that the hormones studied were non-synthetic.

#### **EXPRESS CLAIMS ABOUT NUMBER OF CREDIBLE STUDIES**

528. Defendant HRC Medical and Defendant Dan Hale, on behalf of Defendant HRC Medical, made repeated misrepresentations about the number of credible studies or a purported large body of credible studies that support certain claims.

529. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated in an advertisement for Defendant HRC Medical's BHRT on WSMV, the following, in relevant part:

INTERVIEWER: Can you talk about that? Is it safe?

DAN HALE: I'm glad you asked that question. So many people that they think that aw, it could cause heart attacks, strokes, blood clots, but every time they do those kind of studies they're talking about the synthetic kind. *Every study done, there's many, many hundreds of studies that is [sic] out there that show hormones actually protect it, if it's the kind we had when we were 25 years old.* (emphasis added)

530. Elsewhere, in an article written by Defendant Dan Hale distributed to consumers in Tennessee and posted on Defendant HRC Medical's Facebook page for its Knoxville office, Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part:

*Many studies have been done showing the beneficial effects of replacing these hormones as they decline. As a matter of fact, these studies show that the earlier the better, even replacing diminishing hormones in perimenopause (the early stages of menopause) is more beneficial than waiting until menopause. Many studies can be found on medical web sites showing there is less osteoporosis, coronary artery disease, depression, an increase in sex drive, elimination of hot flashes, vaginal dryness and night sweats, an increase in muscle mass in men and women, less need for erection dysfunction medication in men, greatly improved sleep, more energy, much improve [sic] self-esteem, and a resolution of restless leg syndrome.* (emphasis added)

531. Defendant Dan Hale, on behalf of Defendant HRC Medical, repeated this false assertion in other formats. In advertisements for Defendant HRC Medical's BHRT, Defendant Dan Hale stated the following:

Bio-identical hormones therapy are [sic] safe. They're not the kind of hormones that are unsafe. The other kind of hormones for hot flashes called conjugated estrogen and they are not safe. *We know that because on the Women's Health Initiative trial, they caused a lot of problems with breast cancer, cervical cancer, heart disease, blood clots. The bio-identical hormones never, ever do that. As a matter of fact, a lot of studies show that probably they're somewhat protective in some of those things.* Thank you very much. (emphasis added).

532. In advertisements, Defendant HRC Medical used consumer testimonials that make the same misrepresentation. As an example, in a video advertisement posted on its Facebook page for Defendant HRC Medical's Nashville office, a consumer stated the following:

My mom went through menopause and she was on the synthetic hormones and I remember seeing the news and she had to get off of them and it was very scary because I picked up the phone to say, do you realize what this could be doing to you *and so when I started investigating and doing the research like they tell you to do for all natural hormone replacement therapy, I was impressed. I was amazed that you know there have been lots of studies and I felt really confident that what I was doing was going to be safe and it was going to be effective and so that's what made me want to go for it.* (emphasis added)

533. On a prior version of Defendant HRC Medical's website, [www.hrcmedical.com](http://www.hrcmedical.com), Defendant HRC Medical stated the following about its BHRT:

**The Benefit Beyond Feeling Better**

Most everyone will receive relief of their symptoms: tiredness, depression, poor sleep, erectile dysfunction, vaginal dryness, hot flashes, and loss of muscle tone. But there are many other benefits beyond just feeling better. Osteoporosis shows reversal of bone loss with additional new bone laid down. Many times blood pressure is lowered as well as cholesterol. *Many studies show positive results of less strokes, ovarian and heart disease.* (emphasis added)

534. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact,

namely that benefit, efficacy, safety, or side effects claims for Defendant HRC Medical's BHRT are supported by more credible scientific support than they actually are.

### **EXPRESS COMPOUNDING PHARMACY CLAIMS**

535. Defendant HRC Medical falsely told consumers that its compounding pharmacy was FDA-approved. Defendant HRC Medical and Defendant HRC Management Midwest deceptively told consumers that the compounding pharmacy they used adhered to high quality control standards and produced optimized, time-released hormone pellets.

536. None of the compounding pharmacies that Defendant HRC Medical used to supply its hormone pellets is or was ever FDA-approved.

537. Further, all TCPA Defendants had knowledge of quality control problems at the MasterPharm compounding pharmacy, including problems with the inconsistent compression of pellets and absorption, which made dosing nearly impossible and potentially dangerous.

538. Defendant HRC Medical stated the following in promotional materials for its BHRT, which were handed out to consumers:

*Our pellets are bio-engineered using all natural ingredients by our FDA approved compounding pharmacy. Our pharmacy is one of only two FDA approved pharmacies of their kind in the United States.* (emphasis added)

539. Elsewhere, apart from claims about FDA approval, Defendant HRC Medical claimed that MasterPharm, the compounding pharmacy that it used to supply its pellets, had high quality control standards, when all Defendants knew of continuing quality control problems this compounding pharmacy had with pellets implanted in consumers, especially with the consistency of the compression and absorption of the pellets.



540. Defendant HRC Medical stated the following in promotional materials for its BHRT, which were handed out to consumers:

Our pellets are bio-engineered using all natural ingredients by MasterPharm, our compounding pharmacy. MasterPharm's facilities operate in strict compliance with ASHP, USP/NF 795 and 797, JCAHO and Iso 9001 quality control standards.

541. Likewise, on June 26, 2012, Defendant HRC Medical and Defendant HRC Management Midwest posted the following on their Facebook account for the Memphis office:

HRC Medical Centers uses *time released pellets that optimize our patients#* [sic] *hormone levels* and maintain them for extended periods of time. (emphasis added)

542. In fact, as known to Defendant HRC Medical, Defendant Don Hale, and Defendant Dan Hale, the compression problems with MasterPharm's pellets made the time that the pellets were released wholly unpredictable. If the pellet was compressed too loosely, the hormones were released too soon. If the pellet was compressed too tightly, the hormones had difficulty being released into the blood, which could result in super spikes of hormones if another pellet was added to reach Defendant HRC Medical's target blood hormone levels.

543. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical's compounding pharmacy has been FDA-approved, adheres to high quality control standards, and produces optimized, time-released hormone pellets.

#### **EXPRESS AND IMPLIED CLAIMS ASSERTING HORMONE EXPERTISE**

544. Until March 2012, Defendant Dan Hale acted as the chief spokesperson for Defendant HRC Medical and appeared in countless advertisements for Defendant HRC Medical's BHRT.

545. In a variety of ways, all TCPA Defendants misrepresented the extent of the expertise and experience of Defendant HRC Medical's and Defendant HRC Management Midwest's medical staff with the hormone replacement therapy, which were intended to give consumers a greater comfort level in purchasing Defendant HRC Medical's BHRT.

546. Initially, in advertisements for Defendant HRC Medical's BHRT, Defendant Dan Hale falsely stated the number of years he practiced medicine.

547. Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the following, in relevant part, in advertisements for Defendant HRC Medical's BHRT:

*I've been practicing medicine for 35 years and so, I've practiced the other way and I feel so much better now because I can prevent these things. I can treat the actual problem instead of just giving medicine that really has so many side effects. (emphasis added)*

548. Defendant Dan Hale's statement was false because it included a five and a half year period in which Defendant Dan Hale did not, and could not, lawfully practice medicine.

549. Defendant Dan Hale received his doctorate of osteopathy in 1974 at the Kirksville College of Osteopathy in Kirksville, Missouri.

550. On November 8, 1995, Defendant Dan Hale entered into an Agreed Order with the Osteopathy Board with the Tennessee Department of Health, whereby he surrendered his osteopathic medical license.

551. His osteopathic medical license was reinstated by the Osteopathy Board with the Tennessee Department Health on May 25, 2001.

552. All Defendants misrepresented the extent of Defendant Dan Hale's expertise with hormone replacement therapy in advertisements for Defendant HRC Medical's BHRT.

553. Defendant Dan Hale does not have an extensive educational history with respect to hormone replacement therapy or any expertise about the subject matter. Defendant Dan Hale was first exposed to hormone replacement therapy when he went with Trina Lonning, the unlicensed medical assistant that Defendants hired to set up Defendant HRC Medical's hormone replacement program, to another BHRT provider for a single two-day training conference.

554. Defendant Dan Hale is a doctor of osteopathy who has spent the overwhelming portion of his professional life in fields unrelated to hormone replacement. Defendant Dan Hale has been a family practitioner, an emergency room doctor, a pain clinic doctor, not practicing medicine at all, a doctor performing non-FDA approved cosmetic therapies, or a hair transplant doctor.

555. Defendant Dan Hale has no specialty board certification recognized by the Tennessee Department of Health. His limited training with hormone replacement comes from a certification he received in 2007 from Cenegenics, a multi-level marketing company which teaches and sells "age management" techniques, and from brief time spent with Dr. Gino Tuteria, an Arizona-based doctor, who sells BHRT in pellet form.

556. Defendant HRC Medical's advertisements for its BHRT that featured Defendant Dan Hale often referred to Defendant Dan Hale as a hormone replacement expert.

557. In a brochure distributed to prospective consumers in Tennessee for Defendant HRC Medical's BHRT, excerpted below as Figure 21, Defendant HRC Medical stated the following, in relevant part, about Defendant Dan Hale's hormone replacement experience:

**Dr. Dan Hale** is HRC's medical director. Dr. Hale is one of the leaders in Natural Bio-Equivalent Hormone Replacement by lecturing extensively teaching other physicians this specialized discipline.



Figure 21 (Not to Scale)

558. The basis for the claim “by lecturing [sic] extensively teaching other physicians this specialized discipline,” was not that Defendant Dan Hale lectured or taught about hormones to third-party medical professionals. Rather, this statement referred to Defendant Dan Hale training doctors employed by a given HRC Medical franchise who were required or strongly incentivized to attend, based on his own very limited training.

559. Elsewhere, Defendant HRC Medical stated the following in promotional materials for Defendant HRC Medical's BHRT:

Feel the way you did when you were young. Come to HRC Medical Nashville and get your life back. Our board certified doctors are here to assist you. Our doctors, after many years of General Medical Practice are now on the cutting edge of Hormone Replacement Therapy

560. The doctors who have been employed at Defendant HRC Medical's Nashville and Knoxville offices never possessed a specialty board certification in obstetrics and gynecology, endocrinology, or any other practice area related to hormone replacement therapy.

561. Elsewhere, on Defendant HRC Medical's website, Defendant Don Hale stated the following:

We design your treatment to respond to your unique needs & constantly monitor your progress with close direction and oversight by our *highly trained* and focused *medical staff*. Hormones are our specialty. (emphasis added)

562. Likewise, on July 17, 2012, Defendant HRC Medical and Defendant HRC Management Midwest stated the following on their Facebook page for the Memphis office:

We design your treatment to respond to your unique needs & constantly monitor your progress with close direction and oversight by our *highly trained* and focused medical staff. Hormones are our specialty. (emphasis added)

563. As well known to Defendant Don Hale, who had hiring and firing authority at Defendant HRC Medical, Defendant HRC Medical's and Defendant HRC Management Midwest's medical staff were not "highly trained"—either in terms of hours spent studying hormone replacement therapy, through passage of an exam concerning hormone replacement therapy or a related field, or by otherwise demonstrating proficiency with respect to hormones or a related field. In fact, as known to Defendants Don Hale and Dan Hale, the entire hormone program at Defendant HRC Medical was set up and administered by an unlicensed medical assistant and its medical staff had only a nominal amount of training, if any, relating to hormones. The limited training that the medical staff received involved the flawed reference sheets containing fabricated quotes and contradictory studies themselves or similar materials.

564. As known to Defendant Don Hale, Defendant HRC Medical struggled to maintain licensed professionals, much less ones who had training in hormone replacement. At one point, Defendant HRC Medical was so desperate to retain licensed staff that they kept a registered nurse, who performed BHRT pellet inserts and was thought by Defendant HRC Medical management and

other employees to be under the influence of illicit drugs on occasion at work, on staff despite her admission that she had pulled the incorrect consumer files and implanted at least two consumers with hormones meant for another person. Defendant HRC Medical did not fire this registered nurse until she failed a drug test approximately two months later because Defendant HRC Medical wanted a registered nurse to be on staff.

565. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant Dan Hale, the chief medical spokesperson for Defendant HRC Medical's BHRT, and that other employees or contractors of Defendant HRC Medical or Defendant HRC Management Midwest have expertise or experience in medicine in general or with hormone replacement specifically.

#### **EXPRESS CLAIMS OF SATISFIED BHRT CONSUMERS**

566. Defendant HRC Management Midwest, Defendant HRC Medical, and Defendant Don Hale, on behalf of Defendant HRC Medical, all falsely claimed in advertisements that they had more satisfied consumers of their BHRT than they actually did.

567. For example, on its Facebook page for the Nashville office, Defendant HRC Medical stated the following, in relevant part:

We are one of the leading experts in our field successfully treating *over 30,000 satisfied patients*. (emphasis added)

568. Defendant HRC Medical did not have 30,000 satisfied patients for its BHRT or anywhere close to this amount.

569. Elsewhere, Defendant Don Hale, on behalf of Defendant HRC Medical, stated the following:

Our unparalleled experience with 35,000 patients, *and a 97% success rate*, as supported by our patients overwhelming feedback, gives us confidence that our proprietary AMOR VIE therapy is the right choice for most people who suffer the ravages of hormone depletion. (emphasis added)

570. Defendant HRC Medical's BHRT did not have a 97% success rate among all of those have undergone the therapy—a fact that Defendant Don Hale knew to be false.

571. Likewise, on June 1, 2012, and July 17, 2012, Defendant HRC Medical and Defendant HRC Management Midwest stated the following on their Facebook page for the Memphis office:

*Our unparalleled experience with 35,000 patients, and a 97% success rate, as supported by our patients overwhelming feedback*, gives us confidence that our proprietary AMOR VIE therapy is the right choice for most people who suffer the ravages of hormone depletion. We design your treatment to respond to your unique needs & constantly monitor your progress with close direction and oversight by our highly trained and focused medical staff. Hormones are our specialty. (emphasis added)

572. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that Defendant HRC Medical has more satisfied consumers of its BHRT than it actually does.

#### **MATERIAL OMISSIONS IN ADVERTISING AND PROMOTIONAL MATERIALS**

573. Neither Defendant HRC Medical, Defendant HRC Management Midwest, Defendant Dan Hale, nor Defendant Don Hale in the examples where they made statements about BHRT in advertisements and promotional materials, ever clearly and conspicuously disclosed any of the serious side effects or potential risks of taking Defendant HRC Medical's BHRT in any of the

marketing for Defendant HRC Medical's BHRT. In fact, as shown above, TCPA Defendants expressly said the opposite, namely that Defendant HRC Medical's BHRT was completely safe, safe, or involved no or minimal side effects or risks.

574. Additionally, Defendant Don Hale by himself and through his son, Dane Hale, specifically instructed sales consultants not to mention specific risks, side effects, or get "too technical" in their description of Defendant HRC Medical's BHRT. Dane Hale specifically told Andrea Bernard, a sales consultant, to refrain from telling consumers that they were not candidates for Defendant HRC Medical's hormone replacement therapy. Dane Hale also specifically told Andrea Bernard not to mention risks associated with the therapy because otherwise "we'll never have anybody come in here" or words to that effect.

575. TCPA Defendants never disclosed, clearly and conspicuously or otherwise, that Defendant HRC Medical's BHRT increases a consumer risk of developing serious medical conditions, such as endometrial cancer, tissue edema, and changes in lipids.

576. Further, TCPA Defendants have never clearly and conspicuously disclosed that Defendant HRC Medical's BHRT includes the possible increased risk of breast cancer. This possible risk is increased in women who previously had breast cancer. In fact, Defendant HRC Medical and Defendant Dan Hale stated the exact opposite, namely that their BHRT has actually been shown to protect against breast cancer.

577. Curiously, in more recent versions of Defendant HRC Medical's BHRT contract or "Consent to Treat" form, Defendant HRC Medical stated the following:

I, \_\_\_\_\_, waive the opportunity to submit documentation of having a Pap smear or Mammogram in the last year. By doing so, I give HRC Medical permission to begin Bio-identical Hormone Replacement therapy. I release HRC



Medical and the practicing physician of *any liability or claim of malpractice due to any breast cancer* or cervical cancer. (emphasis added)

578. If asked about the contradiction between Defendant HRC Medical's breast cancer protection claims and the purported malpractice waiver, sales consultants at Defendant HRC Medical were specifically instructed to state that Defendant HRC Medical's BHRT protected against breast cancer and that the provision was needed to protect the company for existing breast cancers that occurred prior to initiation of BHRT.

579. In a later version of Defendant HRC Medical's contract, Defendant HRC Medical stated the following, albeit neither clearly nor conspicuously, and after a description of numerous purported benefits in advertisements and a sales presentation emphasizing the therapy's safety:

I realize that there are potential concerns with testosterone therapy, and they include the possibility of enhancing a current prostate cancer to grow more rapidly. For this reason, a prostate specific antigen blood test is to be done before starting testosterone and will be conducted each year thereafter. If there is any question about possible prostate cancer, I consent to follow-up with an ultrasound of the prostate gland.

The second concern we have with testosterone therapy is that it may increase one's hemoglobin and hematocrit or thicken one's blood. This can be reversed through donating blood periodically. This problem can be diagnosed with a blood test. Thus, a complete blood count should be done at least annually. One CBC may be done each year.

580. An increase in hemoglobin, hematocrit, or the "thickening" of one's blood, as described, albeit inconspicuously and incompletely in Defendant HRC Medical's contract, may increase the risk of developing a blood clot, stroke, heart attack, or other cardiovascular problems.

581. TCPA Defendants, in any of their advertisements for Defendant HRC Medical's BHRT never clearly and conspicuously disclosed an increased risk of prostate cancer, an increased risk of blood clots, strokes, or other cardiovascular problems that can come from increased

hematocrit levels or increased blood "thickness" as referenced albeit inconspicuously and incompletely in Defendant HRC Medical's contract.

582. Additionally, TCPA Defendants did not clearly and conspicuously disclose that Defendant HRC Medical's BHRT may:

- In women, cause a permanent enlargement of the clitoris, which can be extremely uncomfortable and make wearing pants painful.
- In men, cause testicular atrophy, impotency, and the development of breast tissue similar in appearance to that found in women;
- In men, cause a cascading effect on the hormone production centers within a man's body, which can ultimately result in the end of a man's ability to produce his own testosterone;
- In both men and women, lead to loss of hair on one's head, voice deepening, acne, and growth of permanent hair on one's face, chest, buttocks and other undesirable places on the body;
- Cause menstrual or menstrual-like bleeding in menopausal women;
- In both men and women, lead to psychological changes such as increased anger or aggressive behavior.

583. TCPA Defendants did not disclose, clearly and conspicuously or otherwise, that Defendant HRC Medical's BHRT may cause one to gain weight; rather Defendant HRC Medical and Defendant Dan Hale, on behalf of Defendant HRC Medical, stated the opposite, namely that Defendant HRC Medical's BHRT caused weight loss or better weight control.

584. After taking Defendant HRC Medical's BHRT, consumers in Tennessee experienced significant clitoral swelling, heart palpitations and chest pains, high blood pressure, loss of hair on the top of their head, voice changes, growth of hair on the face, chest, arms, and stomach, severe headaches, mood changes, and severe acne.

585. In the limited instances in which TCPA Defendants referenced side effects, TCPA Defendants omitted reference to the most serious side effects or risks, significantly understated the few cosmetic side effects they did disclose, framed the few cosmetic side effects they did reference as an unfounded superiority claim over traditional HRT, falsely stated the side effect was temporary, or falsely presented the side effects as a positive change.

586. For example, in a brochure for its BHRT, excerpted below as Figure 22, distributed to prospective consumers in Tennessee, Defendant HRC Medical only stated the following about side effects:

What are the side effects?

A small number of women may have increased breast sensitivity and spotting. The spotting is managed with progesterone capsules each evening. Most of these side effects, if they occur, will resolve after your body adjusts to the hormones.

What are the side effects?

A small number of women may have increased breast sensitivity and spotting. The spotting is managed with progesterone capsules each evening. Most of these side effects, if they occur, will resolve after your body adjusts to the hormones.

Figure 22 (Not to Scale)

587. Prior to a change to remote portions of Defendant HRC Medical's website in April 2012, some seven years after the company's founding, the *closest* that Defendant HRC Medical ever got to the full disclosure of side effects was in its contract, which was given to consumers *after* seeing any advertisements or hearing any sales pitch for BHRT from a sales consultant who was paid on a 100% or partial commission basis.

588. Prior to 2009, Defendant HRC Medical did not make any side effect disclosures whatsoever in documents given prior to the point of sale. At the time, Defendant HRC Medical's contract was a one page document without any side effect disclosures.

589. Defendant HRC Medical eventually changed its contractual agreement. More recently, Defendant HRC Medical had consumers sign either a male or female version of "Hormone Replacement Therapy Agreement Form."

590. The female version of the form, as of August 2011, stated the following, in relevant part:

I realize that testosterone can increase my energy, my libido, and increase my sense of well-being. I may also see testosterone decreasing the frequency and severity of my headaches. I have also been told that I am to have bio-equivalent hormonal estrogen inserted under my skin to achieve a steady stage of estrogen in my body.

I realize that estrogen can eliminate my mood swings, anxiety and irritability.

I realize that in the past, male athletes have abused testosterone. When they took huge quantities of synthetic testosterone, they may have incurred heart problems and elevated cholesterol. *However, low-dose, non-oral, natural testosterone that is used in bio-equivalent hormonal therapy has NOT been associated with these problems...* I understand that possible side effects from Estrogen may include: breast tenderness, irregularities of the menstrual cycle or recurrence and temporary water retention. I understand that possible side effects from Testosterone include: facial hair growth, skin irregularities, and an increase in sex drive. (emphasis added)

591. Contradicting many other statements made by Defendants about BHRT, Defendant HRC Medical updated *remote* portions of its website to reference some side effects of its BHRT. This update, which the State asserts is still inadequate, occurred nearly seven years after Defendant HRC Medical's founding and after the company claimed to provide its BHRT to 30,000 people nationwide.

592. Even if the consumer was able to find the references to side effects on remote portions of Defendant HRC Medical's website, which was far from a given, these references did not mention the most serious risks and side effects associated with Defendant HRC Medical's BHRT, were contradicted by Defendants' other express marketing claims about Defendant HRC Medical's BHRT, were surrounded by misinformation about the relative safety of Defendant HRC Medical's BHRT, were false, were deceptive, or were otherwise not accurately conveyed clearly and conspicuously to the consumer.

593. Further, as if to underscore the lack of importance given to Defendant HRC Medical's references to side effects, the remote side effect pages themselves were riddled with basic grammatical errors and spelling mistakes—including repeated misspellings of Amor Vie, the name for Defendant HRC Medical's brand of BHRT—that would have been caught with even a cursory reading of the page.

594. At the time the State filed suit, a viewer of [www.hrcmedical.com](http://www.hrcmedical.com) had to navigate through Defendant HRC Medical's efficacy, benefit, and safety claims about its BHRT and then undertake a series of deliberate steps before getting to the first page about side effects.

595. If a consumer was able to find it, the overview page of side effects on Defendant HRC Medical's website stated the following set out in gray:

*Like virtually every other medical treatment, procedure or prescription medication, that is designed to improve your well being, bioavailable Natural Hormone Replacement Therapy (bioNHRT) affects how your body functions so you can realize improvement in the areas desired and may have a few side effects or carry some small risks for a very small percentage of patients. You need to have a thorough understanding of them to evaluate the therapy for yourself.*

But, unlike many other medical treatments, procedure [sic], or prescription medication [sic], the Natural Bio-Available Hormones used in HRC's AMORE [sic] VIE therapy

are naturally derived (from the Yam plant). *Being naturally derived, they work almost identically to those hormones already existing in the human body without the introduction of any synthetic matter that greatly change [sic] the risk factor evaluation.*

*Additionally, the foundation of the AMOR VIE therapy is built on a process that frequently monitors the patient. Through this monitoring we can bring the patient to the desired hormone levels at a gradual pace consistent with the patients [sic] base line and desires. We start with a consultation, blood screening, a detailed history of symptoms relative to possible hormone deficiency, and a physical exam by our medical staff. This is followed by a tailored dosing plan before any procedure is deployed [sic] which by the way is virtually painless. Importantly [sic] we routinely check blood levels throughout the year and adjust future dosing accordingly.*

*It is important to note that almost all of the side effects that might be experienced can be adjusted dosing related [sic] in that if side effects are felt a simple reduction of dosing will generally reverse the affect. Many reported issues actually relate to the reduction of prescribed levels if the patient spaces treatment farther apart then recommended.*

Finally, and perhaps most importantly, every person is unique. The AMOR VIE therapy is designed specifically for your unique needs. Consequently, RESULTS MAY VARY. If you experience any side effect that you believe requires discussion with our staff you should contact them as soon as possible so we can assist you in making what ever [sic] adjustments are necessary to help you. . . . Restore, Renew, and Rejoice. (emphasis added)

596. On the second page in, entitled "Mitigate Side Effects," Defendant HRC Medical stated the following set forth in gray below:

*Most of the side effects can be reduced or eliminated with adjustments in dosing that [sic] if side effects are felt a simple reduction of dosing will generally reverse the affect. Ironically, many issues reported by patients actually relate to the reduction of prescribed levels if the patient spaces treatment farther apart then recommended. The following is a brief summary of some of the key attributes of the AMOR VIE therapy that significantly enhance the benefits and greatly reduce any risk of the therapy.*

- The AMOR VIE Therapy uses "Bio Natural/Bio Available" Hormone [sic] replacement compounded to mirror the hormones naturally produced in the human body. *This eliminates the risk of synthetic hormones that have received much attention over the last several decades.* The Hormone [sic] formulations have been in use since the 1930's.

- The compounding of our Hormones [sic] is performed in a highly controlled sterile environment at one of the most advanced compounding pharmacies in the country who [sic] is among a select group of compounding pharmacies who [sic] is accredited by the Pharmacy Compounding Accreditation Board (PCAB).
- In all cases, each procedure is dosed and specifically tailored to each patient by a doctor after a though [sic] blood screening using the knowledge created through over 30,000 patient experiences.
- Generally all "side effects" are "Dose Related" to our 3 major Natural Hormones (Testosterone, Progesterone, Estrogen). These effects can generally be easily controlled through dosing adjustments.
- *The side effects are generally minor. Most are cosmetic or temporary.*
- Many of our patients have found that with the guidance of their Primary Care Physician (PCP), that they are able to reduce or eliminate some of their existing prescription medication upon the initiation of the AMOR VIE therapy. Often these medication are used to treat the effects of underlying pathologies that a return to one's prime hormone levels Through [sic] AMORE [sic] VIE's therapy can eliminate, importantly these medications often carry with them significant risks, generally viewed to be far more potentially serious than NHRT. We have include [sic] some of our patient stories explaining this phenomena in the section of our website.
- *In very few situations [sic] a patient can experience an elevation of Blood [sic] pressure, which is generally considered the most serious "side effect". This should immediately be reported to your PCP and us. This effect is easily diagnosed & treated with routine monitoring.*
- *We have never had a life threatening issue with any of our 30,000 patients.*
- *Of 900+ customer satisfaction "stories" included in our website, a few mention side effects. All were minor and generally eliminated or reversed over time. We have included these patient stories here in our website to illustrate how others have experienced the AMOR VIE therapy to help you make an informed decision.*
- Our 1 year therapy program is designed to provide close over sight so adjustments can be made as needed based on, frequent blood draws (approximately once per quarter), on line monitoring, and close oversight by medical staff.
- We have a 97% satisfaction rating (Approximately 3% refund rate due to dissatisfaction of results).

- Patients can generally weigh their own tolerance for the side effects & choose levels of desired risk/benefits based on their personal desire. This can be altered with each visit depending on their lab results, doctor guidance, and personal feedback.
- We do only Hormone treatment. That is our specialty. This gives us unique insight and capability based on our size & specialty. Each Medical [sic] staff is fully trained. The medical staff sees all patients before treatment is started.
- Because of the individuality and complexities of the Human Body [sic] RESULTS WILL VARY as our therapy is designed to tailor [sic] to your individuality.

We also have a suite of “supplements” that greatly helps extend our treatment or helps the patient improve their symptoms proactively. Never-the-less [sic] there are some effects that some patients have reported as summarized in the following sections. We are including a brief description of each effect and cause along with our common response to alleviate or treat the symptom. Also for your convenience we have included a table summarizing these effects on a separate tab. (emphasis added)

597. On its “Affects [sic] and Side Effects Female” subpage, Defendant HRC Medical stated the following set forth in gray below:

Most side effects of estradiol and testosterone are actually caused by the way they function naturally. The emphasis here is “naturally”. *Some of the side effects often associated with estradiol or testosterone as seen in the literature are not applicable to bioavailable Natural Hormone Replacement Therapy (NHRT) and HRC’s AMOR VIE therapy program for two important distinctions: 1. The method of delivery and 2. The source of the hormone.*

1. Method of Delivery The AMOR VIE NBHRT is delivered in pellet form subcutaneously (a small pellet usually smaller than a grain of rice for women and slightly larger for men is placed under the skin in the upper outer quadrant of the buttocks). This truly delivers the dosing at a constant even rate over a 2-3 month interval when the body requires it (hence the term Bio-Available). Just as importantly it is not processed through the liver as first pass metabolism. Many other programs deliver the hormone either orally, through shots, patches, or creams, which may have unwanted consequences. For example, when any estrogen is given by mouth (a pill) it has a much greater risk of more severe symptoms such as strokes, heart attacks, and blood clots.

2. Source of Medication When estradiol is given with progestin, especially orally-(i.e. such as Provera which is a synthetic drug and not natural), there is a risk of thromboembolism and breast cancer. Synthetically derived Testosterone or estrogen has a number of known clotting and liver related side effects.



When HRC's Naturally [sic] derived and subcutaneously delivered painlessly [sic] therapy these liver first-pass side effects are not seen.

However, there are some side effects that may be experienced (by a very few of our patients). They are:

#### Possible Estradiol Side Effects in the Female

**Tender Breasts:** Estradiol re-introduced to the menopausal patient may cause temporary tenderness of the breasts. The breasts are normally stimulated regularly in a young female by estradiol. Without estradiol the breast begin [sic] to sag and become smaller. Additionally, they are not as supple and sensitive to stimulation. With estradiol the breast may enlarge slightly and become tender until becoming accustomed to an increase in estradiol. If one develops tender breasts the treatment usually is to take a NSAID (non-steroidal anti-inflammatory drug) for a few days and apply Oil of Evening Primrose twice a day. *However, this treatment is usually not necessary as the soreness, if any, is short-lived.*

**Fluid retention:** As is well known, when estrogen increases one can retain some fluid as may be seen with each cycle sometime [sic] causing an increase in 2 or 3 pounds on the scales. *This is normal and expected. When natural estradiol is given there can be some temporary edema until the body adjusts. If it is necessary a mild diuretic may be given for 3 or 4 days to reduce the swelling.*

**Occasional Uterine Bleeding:** Some bleeding/spotting may occur when not expected in a female that is menopausal, or perimenopause with estradiol therapy. *This side effect is usually easily resolved by increasing the progesterone dose.* Progesterone is the hormone that acts to control the effects of estradiol. The reason for uterine bleeding in a perimenopausal or menopausal female is that the uterus dries up naturally from lack of the natural hormone, estradiol. When estradiol is re-introduced the uterus can once again resemble a uterus of a young healthy female. However, when sufficient progesterone is given uterine bleeding can be stopped. Progesterone should be given to women who have a uterus and are treated with estradiol. If one takes progesterone daily there is usually no spotting or abnormal bleeding. If one is still cycling and wants to continue she can take progesterone 15 days each month and still have regular periods.

#### Possible Testosterone Side Effects in the Female:

Testosterone replacement in women is often not performed by some who perform BHRT. However, it is important to remember that the ovaries normally produce all three important hormones; testosterone, progesterone, and estradiol. *It is unfortunate that many other providers replace only the latter two hormones. Women need testosterone, but obviously at a much lower dose than a man.* When a female patient is dosed, it is frequently necessary to adjust her testosterone according to her response, as we prefer to start with a lower dosage and increase based on her comfort level. The impact of testosterone replacement in women is often fairly immediate (generally within a week or ten days).

*The following side effects related to testosterone can be experienced in a small percentage of female patients:*

**Minor Facial Hair Growth:** Excess testosterone from a hormone replacement therapy is often "blamed" as the primary "culprit" for excess hair growth in menopausal aged women. It is true that the appearance of minor facial hair is not an unusual side effect (for a few) when testosterone is high in women. *However, and this is a big HOWEVER, the real root cause is often overlooked. The growth of minor facial hair, at some level, depending on the predisposition of the women, is a normal effect of the loss of estrogen as women face menopause. The "irony" of the effect is that the loss of estrogen (which is the hormone that suppresses the growth of hair on the face) will, if left unchecked, cause facial hair growth anyway if the women is predisposed to that phenomenon. So the linkage is often made to testosterone because the introduction of this in a hormone replacement therapy happens at the same time in life as their normal loss of estrogen. It is highly likely they would have experienced this phenomena anyway.* There are a number of natural remedies (as discussed below) that can help address this normal phenomenon. This subject is covered very thoroughly in a book, *The Savvy Woman's Guide to Testosterone* by Elizabeth Lee Vliet, M.D. She says, "Paradoxically, androgens (testosterone) have different effects on hair follicles depending on where they are on the body: they can stimulate growth of thick coarse dark hairs on the face, chin, back, arms, pubic area, or inner thighs; they can inhibit scalp hair follicles. It is a great mystery in endocrinology how an excess of a hormone can cause excess hair growth just as a lack of the same hormone can cause hair loss. (Interestingly enough, our patients occasionally have expressed the same paradox as if one reads the stories included in this section, some patients have expressed how NHRT has been of significant benefit in thickening their thinning hair when hormone levels were too low while a few others have sited [sic] some appearance of facial hair especially in the treatment until levels were balanced). *The excess facial and body hair that is more coarse and dark than the person's natural color, especially if estradiol is also too low.* When excess facial hair is seen a dosage reduction of testosterone may be in order. If one has more facial hair than is tolerated [sic] a topical treatment, Vaniqua, can be recommended. Also laser hair removal can be beneficial.

**Minor Receding of Scalp Hair:** *Minor scalp hair loss is possible with high testosterone in a female.* Dr Vliet again covers the subject of hair loss in females suggesting that testosterone deficiency also can cause loss of scalp hair as well as low estradiol. It is possible to experience some growth of hair on parts of the body while at the same time seeing signs of some scalp hair loss. *If estradiol levels are too low when testosterone is too high this can accentuate scalp hair loss.* This is why the close monitoring of hormones in our routine blood work is critical to monitoring appropriate levels. When one experiences loss of testosterone, especially if sudden as seen with removal of the ovaries, thinning of the scalp and body hair can be experienced. Loss of scalp hair should be reported to the medical staff for treatment. We have found that if there is some loss of scalp hair it

generally is not a permanent condition. For temporary hair loss it is recommended that one use Rogaine Foam 5% twice a day for a month or 2. Also topical progesterone drops can be used twice a day.

*Minor Acne:* Acne resulting from testosterone supplementation is more common in women than in men. With conservative treatment [sic] acne is not a significant problem in a large majority of female patients. Acne occurs from an increase activity of the sweat glands especially on the face as the natural oils in the skin are replaced (which paradoxically also helps return the skin to a more youthful appearance). If acne does occur it is easily treated when the medical staff is notified. A topical antibiotic cream is frequently prescribed as well as a medication to block the effect of testosterone on sweat glands. Occasionally an oral antibiotic is necessary. It is interesting to note that Menopausal [sic] women often resort to using cosmetics and body lotions that are designed to restore lost oils and skin moisture. Emollients are used. These Emollients [sic] can amplify the oils created by the testosterone and further act to clog up pores resulting in acne breakouts. It is suggested that women on T2 Therapy use "Oil Free" products and make-up must [sic] the same as teens and younger women do.

*Hypertension:* *An elevation in blood pressure secondary to testosterone treatment is very rare; however, when it does occur this must be reported to the medical staff.* Testosterone usually functions as a vasodilator (opens up blood vessels) but in unusual circumstances salt retention may occur and blood pressure may rise. This side effect is usually easily treated with a diuretic or referral to your PCP (Primary Care Physician).

*Deepening of the Voice:* Voice changes in the female patient is one of the least often seen with testosterone treatment; however, it can be bothersome to some when it does occur, especially if the patient sings or has to talk a lot in her employment. *Deepening of the voice usually resolves spontaneously with changing the dosage of testosterone given; however, this may require 6 to 9 months or longer in very unusual cases.* There is no known treatment when deepening of the voice occurs except to temporarily discontinue treatment until the voice changes and then begin [sic] treatment with testosterone again, but at a lower dosage.

*Clitoral Enlargement:* Clitoral enlargement is rare with testosterone therapy. Additionally, a slightly enlarging clitoris is often thought of as a positive effect as clitoral stimulation is easier with intercourse. Enlargement beyond this is seen only with excess testosterone typically associated with sex-change surgery. *Excess testosterone is not dosed at HRC Medical therefore treatment for clitoral enlargement is not seen to a degree requiring treatment.*

*Awareness & Interaction With Other Medications:*

At the outset on menopause (women) and andropause (men), symptoms of depression may develop. These symptoms can be brought on by the depletion of our essential hormones as we age. All too often, medicine overlooks the correlation between depleted hormones and symptoms of depression and in an effort to alleviate suffering, the physician may prescribe an antidepressant to address the symptoms. While these

drugs effectively combat the “lows” of depression, they also eliminate the “highs” we can feel in experiencing the joys of life. While hormone restoration can often reverse the symptoms of depression, in these cases continued use of antidepressants is counter-productive and can interfere with the beneficial effects of restoration. When a person has been under antidepressant therapy for any length of time, it becomes necessary to carefully wean the patient from the antidepressant therapy for any length of time, it becomes necessary to carefully wean the patient from the antidepressant with the cooperation and under the care of their prescribing physician to fully realize the benefits of hormone restoration. Similarly, for those who experience constant pain, such as joint pain, fibromyalgia or migraines, the physician may prescribe analgesics (pain killers) to varying degrees and of varying strengths. These drugs, too, act in a similar way to “block” certain nerve impulses. This blocking action can interfere with the beneficial and natural anti-inflammatory effects of hormone restoration. In these cases as well, we will work closely with the prescribing physician to carefully wean the patient, when appropriate, to enable the restored hormones to re-balance.

#### Awareness of Possible Contraindications:

Bioavailable Natural Hormone Replacement Therapy (NHRT) is the natural way to restore hormones lost over time with age. However, there are times when bioavailable NHRT may not be immediately indicated.

Those that have been diagnosed with and treated for certain cancers should be 2 years or more in remission before initializing bioavailable NHRT. In some instances, depending on the type and stage of the cancer battled, a longer remission time may be considered.

Those with a baseline laboratory result of 4 or higher on a PSA (prostate specific antigen) should first confirm that the elevated PSA is not the result of prostatic cancer. While recent studies suggest that testosterone does not cause cancer (it has been suggested that low testosterone may actually lead to the development of certain prostatic cancers) a prostate cancer in concert with low blood levels of testosterone may actually grow when testosterone is newly introduced until the prostate is “saturated” with testosterone at which point the cancer growth appears to cease.

Those that are pregnant or nursing.

If you experience any of the side effect, or others, in your treatment you should immediately discuss them with your HRC medical staff. If they persist or become more severe you need to discuss with your PCP (Primary Care Provider). (emphasis added)

598. On its “Affects [sic] and Side Effects Male” subpage, Defendant HRC Medical stated the following set forth below in gray:

*Most side effects of testosterone are actually caused by the way they function naturally. The emphasis here is “naturally”. Some of the side effects often associated*



with testosterone as seen in the literature are not applicable to bioavailable Natural Hormone Replacement Therapy (NHRT) and HRC's AMOR VIE therapy program for two very important distinctions: 1. The method of delivery and 2. The source of the medication

1. Method of Delivery The AMOR VIE NHRT is delivered in pellet form subcutaneously (a small pellet usually smaller than a grain of rice for women and slightly larger for men is placed under the skin in the upper outside quadrant of the buttocks). This truly delivers the dosing at a constant even rate over a 2-3 month interval when the body requires it (hence the term Bio-Available). Just as importantly it is not processed through the liver as first pass metabolism. Many other programs deliver the hormone either orally, through shots, patches, or creams, which may have unwanted consequences.

2. Source of Medication *Synthetically derived Testosterone has a number of known clotting and liver related side effects. HRC uses only naturally produced Testosterone (Derived from the Yam plant).*

*With HRC's Naturally derived and subcutaneously delivered therapy these side effects are not seen.*

However, there are some side effects that may be experienced (by very few of our patients). They are:

Possible Side Effects of Testosterone Therapy in Men:

Men usually require up to 10 times the level of testosterone as women. However, men do not need estrogen replacement. After age 30 [sic] most men will begin a gradual decline in testosterone with inevitable negative results including loss of muscle mass, fatigue, loss of energy, weight gain, mental foggiess, possible depression and even possible erectile dysfunction. *With NBHRT [sic] our experience is that most men will see many or all of the testosterone deficiency signs disappear. Many have told us they feel as if they have regained their "mojo" (See the stories in this section submitted to us by many of our patients that discuss these effects on them.)*

The following side effects related to testosterone can be experienced in a small percentage of our male patients:

*Minor Acne:* It is possible a male patient may see some acne generally on his chest and back especially if the patient experience severe acne as a teenager. This is very unusual and easily treated when reported to the medical staff.

*Testicular Atrophy:* When testosterone begins to decline in a male, usually after age 30, the brain senses this drop and uses a hormone, luteinizing hormone (LH), to stimulate the testicles to begin producing more testosterone. *This may cause the testicles to increase in size very slightly (to enlarge – hypertrophy). This change is almost never noticed without careful measurements, as it is generally very minor. When the patient who has hypertrophy of the testicles receives testosterone therapy the testicles may reduce in size, (again-this is very minor) but this is usually seen as a return to the "normal size" they were before testosterone began to decline. When testosterone is deficient for many years, as is seen in the aged, the testicles begin to shrink (atrophy).*

Erythrocytosis: *Testosterone is a source of stimulation of the production of red blood cells (RBCs). This is a good thing.* It keeps us healthy. Without sufficient testosterone one may become anemic. When testosterone is given to a male (and rarely to a female) it may cause an over production of RBCs. This is why at HRC Medical your blood is frequently checked to make sure you do not have erythrocytosis developing. If it is discovered that you have too many RBCs you may be asked to donate a unit of blood.

Decreased Sperm Count: Testosterone treatment will usually decrease the sperm count. *While usually the reduction in sperm count is modest, it can be significant in some, sometimes as much as 95%.* This is important to a male who is anticipating fathering a child. If this is a possibility, you should have your sperm frozen. *You can also get off of testosterone supplementation for 5 or 6 months and usually your sperm count will return to sufficient levels to father a child.* However, if you have been on testosterone therapy for an extended time (while the exact time varies from person to person it is usually assumed to be more than 5 years) the testicles may stop production of sperm permanently.

Hypertension: *An elevation in blood pressure is very unusual resulting from testosterone therapy as testosterone is a vasodilator (opens up blood vessels).* If your blood pressure is elevated the medical department must be notified. This elevation is more likely to occur when one has had hypertension in the past. This is why your blood pressure is checked with each visit to assure you are safe. This side effect is usually easily treated with a diuretic or referral to your PCP (Primary Care Physician). (See the stories in this section submitted to us by many of our patients that discuss these effects on them) [sic]

Awareness & Interaction With Other Medications:

At the onset of menopause (women) and andropause (men), symptoms of depression may develop. These symptoms can be brought on by the depletion of our essential hormones as we age. All too often, medicine overlooks the correlation between depleted hormones and symptoms of depression and in an effort to alleviate suffering, the physician may prescribe an antidepressant to address the symptoms. While these drugs effectively combat the "lows" of depression, they also eliminate the "highs" we can feel in experiencing the joys of life. While hormone restoration can often reverse the symptoms of depression, in these cases continued use of antidepressants is counter-productive and can interfere with the beneficial effects of restoration. When a person has been under antidepressant therapy for any length of time, it becomes necessary to carefully wean the patient from the antidepressant with the cooperation and under the care of their prescribing physician to fully realize the benefits of hormone restoration. Similarly, for those who experience constant pain, such as joint pain, fibromyalgia or migraines, the physician may prescribe analgesics (pain killers) to varying degrees and of varying strengths. These drugs, too, act in a similar way to "block" [sic] certain nerve impulses. This blocking action can interfere with the beneficial and natural anti-inflammatory effects of hormone restoration. In these cases

as well, we will work closely with the prescribing physician to carefully wean the patient, when appropriate, to enable the restored hormones to re-balance.

**Awareness of Possible Contraindications:**

Bioavailable Natural Hormone Replacement Therapy (NHRT) is the natural way to restore hormones lost over time with age. However, there are times when bioavailable NHRT may not be immediately indicated. Those that have been diagnosed with and treated for certain cancers should be 2 years or more in remission before initiating bioavailable NHRT. In some instances, depending on the type and stage of the cancer battled, a longer remission time may be considered. Those with a baseline laboratory result of 4 or higher on a PSA (prostate specific antigen) should first confirm that the elevated PSA is not the result of a prostatic cancer. While recent studies suggest that testosterone itself does not cause cancer (it has been suggested that low testosterone may actually lead to the development of certain prostatic cancers), a prostate cancer in concert with low blood levels of testosterone may actually grow when testosterone is newly introduced until the prostate is "saturated" with testosterone at which point the cancer growth appears to cease.

If you experience any of the side effects, or others, in your treatment you should immediately discuss them with your HRC medical staff. If they persist or become more severe you may need to discuss with your PCP (Primary Care Provider). (emphasis added)

599. The above omissions have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely as to the existence of, seriousness of, or extent of side effects and risks associated with Defendant HRC Medical's BHRT.

**MATERIAL OMISSIONS IN CONSUMER TESTIMONIALS**

600. In advertisements for its BHRT, Defendant HRC Medical repeatedly used consumer testimonials from principals of the company, family members of the principals of the company, employees of the company, or others with a material connection to Defendant HRC Medical, all without clearly and conspicuously disclosing the relationship between the individual and Defendant HRC Medical.

601. In one advertisement for Defendant HRC Medical's BHRT directed towards consumers in Middle Tennessee, excerpted below as a screen shot as Figure 23, Defendant Don

Hale, one of the founders of Defendant HRC Medical and its President and CEO, gave a consumer testimonial without any disclosure, clear and conspicuous or otherwise, of his ownership interest or other connection to Defendant HRC Medical.



Fig. 23 (Not to Scale)

602. In the same advertisement for Defendant HRC Medical's BHRT, excerpted below as a screen shot in Figure 24, Trina Lonning, the unlicensed medical assistant who was employed by Defendant HRC Medical at the time the advertisement was created, gave a consumer testimonial without any disclosure, clear and conspicuous or otherwise, of her connection to Defendant HRC Medical.



Fig. 24 (Not to Scale)



603. Another advertisement for Defendant HRC Medical's BHRT, excerpted below in a screen shot in Figure 25, aired on WSMV and featured Defendant HRC Medical employee Trina Lonning, without any disclosure, clear and conspicuous or otherwise, about her connection to Defendant HRC Medical featured the following statement:

JENNIFER HERRON: *Trina took things into her own hands and looked on the Internet for answers.* She wanted to be herself again. The person she was 20 years ago. . . . First she had to find out why the synthetic hormones she was taking only helped the hot flashes (emphasis added).

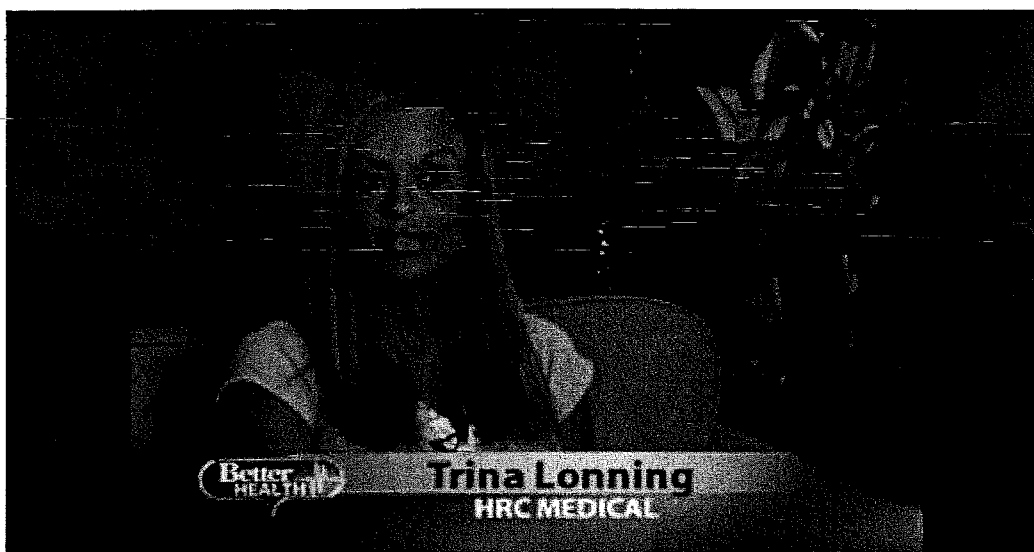


Fig. 25 (Not to Scale)

604. Similarly, in a different advertisement for Defendant HRC Medical's BHRT directed at consumers in Middle Tennessee and featured on Defendant HRC Medical's Facebook page for its Nashville office, excerpted below as screen shots in Figures 26, 27 and 28, Defendant HRC Medical featured Don Hale, founder of Defendant HRC Medical, Defendant Don Hale's son, Drew Hale, and, Defendant Don Hale's daughter-in-law and Defendant HRC Medical Center employee Jennifer Hale, in consumer testimonials about Defendant HRC Medical's BHRT without any disclosure, clear and conspicuous or otherwise, about their respective connections to Defendant HRC Medical.



Fig. 26 (Not to Scale)

605. As shown in the excerpted screen shots in Figures 27 and 28 below, Drew Hale and Jennifer Hale spoke while the statement “Actual Bio-Identical Hormone Replacement Patient” appears on the screen.



Fig. 27 (Not to Scale)



Fig. 28 (Not to Scale)

606. Despite the fact that he is related by blood to the principals of the company and was employed with Defendant HRC Medical, in an advertising capacity, Drew Hale stated the following in this advertisement for Defendant HRC Medical’s BHRT:

*I stumbled across the all-natural hormone replacement and I’ve been doing it and it’s been great. (emphasis added)*

607. Similarly, Jennifer Hale, despite the fact that she was employed by Defendant HRC Medical, stated the following:

*I’m Jennifer. I’m 25 years old. I’ve been suffering from migraine headaches for as long as I can remember. Heard about the natural hormone replacement, so I got tested*

for it. And not only has it helped me with my migraine headaches, it has helped me with my energy level – I feel wonderful throughout the day. I sleep really well. I’m focused. And now I realize that it’s not only for women going through menopause, so I’m very happy that I did it. (emphasis added)

608. In the same advertisement for Defendant HRC Medical’s BHRT that was featured on Defendant HRC Medical’s Facebook page for its Nashville office, one of the Nashville office’s receptionists was depicted, as excerpted below in a screen shot in Figure 29, without any disclosure, clear or conspicuous or otherwise, about her status as an HRC employee.



Fig. 29 (Not to Scale)

609. In another television advertisement, excerpted in a screen shot as Figure 30, the woman who cleaned Defendant Don Hale’s home was featured in a consumer testimonial in an advertisement displayed on Defendant HRC Medical’s Facebook page for its Nashville office without any disclosure of her financial relationship with one of the principals of the company.



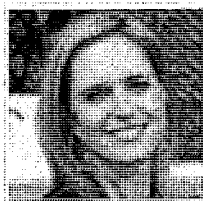
Fig. 30  
(Not to Scale)

610. ... Other consumer testimonials offered by Defendant HRC Medical show that the practice of getting individuals with close familial or financial ties to the company or its principals was even more widespread. For example, Defendant HRC Medical featured a consumer testimonial from Jenn Jackson on its Facebook account for its Nashville office, on its YouTube page, and on its website, [www.hrcmedical.com](http://www.hrcmedical.com), without disclosing that she was an advertising account executive for a North Carolina-based radio station on which Defendant HRC Medical advertised. An excerpt of Ms. Jackson's testimonial for Defendant HRC Medical's BHRT appears as a screen shot in Figure 31 below:

Fig. 31



611. Jenn Jackson's LinkedIn account is excerpted below as Figure 32:



## Jenn Jackson

--  
Charlotte, North Carolina Area | Broadcast Media

As a LinkedIn member, you'll join 150 million other professionals who are sharing connections, ideas, and opportunities. And it's free! You'll also be able to:

- See who you and **Jenn Jackson** know in common
- Get introduced to **Jenn Jackson**
- Contact **Jenn Jackson** directly

[View Full Profile](#)

**Join LinkedIn and access Jenn Jackson's full profile.**

Fig. 32  
(Not to Scale)

### Jenn Jackson's Overview



Current	<b>Director of Affiliate Sales - "Bob &amp; Sheri Show" at Greater Media</b> <b>Account Executive at WBT and WLNK Radio</b>
Past	Account Executive at Clear Channel Radio
Education	University of North Carolina at Greensboro
Connections	<b>193</b> connections
Websites	Company Website Company Website Company Website

### Jenn Jackson's Experience

#### **Director of Affiliate Sales - "Bob & Sheri Show"**

##### **Greater Media**

Privately Held; 501-1000 employees; Broadcast Media industry

August 2010 – Present (1 year 11 months) | Charlotte, North Carolina Area

#### **Account Executive**

##### **WBT and WLNK Radio**

Marketing and Advertising industry

2010 – Present (2 years)

#### **Account Executive**

##### **Clear Channel Radio**

Public Company; 10,001+ employees; CCU; Broadcast Media industry

2000 – 2010 (10 years)

612. Defendant HRC Medical advertised on the WLNK radio station. Further, a duplicate copy of Ms. Jackson's BHRT video testimonial for Defendant HRC Medical was posted under the YouTube handle "linkradio," which is the YouTube handle used by the WLNK radio station.

613. The ownership interest, family relationship, employment relationship, business relationship, and monetary relationship of individuals featured in testimonials affect the weight or credibility of the testimonial.

614. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that the consumers featured in advertisements have no material connection to Defendants, are unbiased, or are otherwise made at arm's length.

615. Defendant HRC Medical compensated consumers through discounts on pellet treatments or other services and did not disclose this fact in advertisements featuring testimonials. A number of consumers received compensation in the form of "free" BHRT or discounted BHRT from Defendant HRC Medical in exchange for their testimonies, a fact which was not disclosed, clearly and conspicuously or otherwise, in advertisements featuring these consumers.

616. As one example, Defendant HRC Medical featured several testimonials of a BHRT consumer named Carolyn Bigham. In exchange for her testimonial, Ms. Bigham received discounts or "free" BHRT pellet insertions. Screen shots of Defendant HRC Medical's BHRT advertisement featuring consumer testimonials of BHRT, without any disclosure, clear and conspicuous or otherwise, are excerpted below in screen shots as Figures 33 and 34:

Fig. 33  
(Not to  
Scale)



Fig. 34  
(Not to Scale)



617. The compensation through discounts on future or current treatments featured in testimonials affects the weight or credibility of the testimonial.

618. The above statements and others of similar import have caused or tend to cause consumers to believe what is false or have misled or tend to mislead consumers as to a matter of fact, namely that the consumers featured in advertisements have no monetary connection to Defendants other than purchasing BHRT.

619. In fact, many advertisements featuring consumers for Defendant HRC Medical's BHRT stated that the consumer was not being paid in exchange for their testimony.

620. Aside from the failure to disclose the benefit, Defendant HRC Medical, in the instances in which consumers received "free" or discounts off future or pending BHRT and Defendant HRC Medical stated that the consumer was not paid, misled consumers as to a matter of fact, namely that the consumers did not receive compensation or any benefit in exchange for their testimonial.

#### **MATERIAL OMISSIONS OF CONSUMER SIDE EFFECTS IN TESTIMONIALS**

621. Defendant HRC Medical repeatedly used consumers, including employees of Defendant HRC Medical, in testimonials who have experienced side effects of its BHRT without disclosing the side effects that the consumers actually experienced after taking the therapy.

622. HRC Male Location Owner 1 (names have been withheld to protect health care privacy, but are identified to Defendants and the court through documents filed under seal), who appeared in several advertisements for Defendant HRC Medical's BHRT in a consumer testimonial, developed very high hematocrit and hemoglobin levels, a condition that can lead to serious health risks.

623. HRC Male Employee 1, a younger man who appeared in several advertisements for Defendant HRC Medical's BHRT in a consumer testimonial, stopped taking Defendant HRC Medical's BHRT after he was informed by a Defendant HRC Medical employee that Defendant HRC Medical's BHRT may cause infertility.

624. HRC Female Employee 1, who appeared in several advertisements for Defendant HRC Medical's BHRT, actually stopped taking Defendant HRC Medical's BHRT after only *one* pellet implant because of endometriosis, a disorder that occurs when cells from the lining of the uterus grow in other areas of the body. Endometriosis can lead to pain, irregular bleeding, and infertility.

625. HRC Female Employee 2, who appeared in several advertisements for Defendant HRC Medical's BHRT without any disclosure, had significant clitoral swelling as a result of taking the therapy, which she openly discussed with others at Defendant HRC Medical. HRC Female Employee 2 also has had to be on blood pressure medication.



626. HRC Female Employee 3, who appeared in several advertisements for Defendant HRC Medical's BHRT stopped taking Defendant HRC Medical's BHRT after developing severe acne and facial hair.

627. HRC Female Employee 4, who appeared in a couple of advertisements for Defendant HRC Medical's BHRT, without disclosure, experienced increased facial hair growth after taking Defendant HRC Medical's BHRT.

#### **USE OF NO REFUND/STORE CREDIT POLICY**

628. As discussed above, under Defendant HRC Medical's sales model for its BHRT, a consumer was first directed to a "free" consultation, where he or she spoke to a sales consultant, who usually had no medical training whatsoever and was paid on a 100% or part-commission basis. The "free" consultations were arranged based on a tiered appointment system in which the highest-performing sales representative had her calendar filled first. At the "free" consultation, the consumer was given a sales pitch about Defendant HRC Medical's BHRT, asked to fill out a broadly worded symptom questionnaire sheet (e.g. "sleep disturbances," "fatigue," "poor focus," and "memory lapses") and, if they checked even one vaguely worded symptom, was then asked, absent rare circumstances, to sign a non-refundable contract to purchase the therapy. The price of the therapy ranged from \$2,000 to \$4,000. The consumer lefts the "free" consultation having given blood for laboratory tests that would supposedly indicate whether the consumer was a candidate for BHRT, yet the consumer had already committed to and paid for a year's worth of Defendant HRC Medical's BHRT.

629. While Defendant HRC Medical offered the ability to purchase single pellet implants, both the pricing itself and the sales consultants who described the pricing, as directed by Defendant

Don Hale, strongly encouraged consumers to pay for or finance one year's worth of Defendant HRC Medical's BHRT in advance as a non-refundable lump sum. Defendants used this sales tactic without knowing whether the BHRT was appropriate at that time, before blood levels were drawn, or before they saw how the consumer would respond to the therapy even initially.

630. Defendant HRC Medical repeatedly used contractual agreements containing provisions stating that the lump sum amount, typically ranging between \$2,000 and \$4,000 and primarily used to pay for future hormone pellet implants, was non-refundable.

631. Aside from wanting to retain cash payments, Defendant HRC Medical was also incentivized to require non-refundable lump sums through the contractual agreements that it entered with the financing companies it uses including GE CareCredit and Chase HealthAdvantage. The financing companies required Defendant HRC Medical to remit payment to them of any funds that were not used to pay for actual services rendered.

632. As a result, Defendant HRC Medical offered consumers "store credit" for the limited number of other products and services it offered, each of which is highly suspect itself. These other products and services included a purported liposuction alternative, a facial peel, a dangerous, non-FDA approved diet involving HCG, and hair restoration therapy.

633. Defendant HRC Medical's no refund policy caused substantial monetary harm, ascertainable losses, and unwarranted health and safety risks to a large number of consumers. The no refund policy encouraged consumers to continue with the therapy even if they were experiencing side effects, apply the funds to another questionable medical treatment, or forfeit hundreds or thousands of dollars for BHRT never rendered.

634. Defendant Don Hale and his wife, Defendant Dixie Hale, were the only ones at Defendant HRC Medical who had the ability to authorize refunds.

635. Under Defendant Don Hale's instruction, refunds were very rarely given even to those who experienced drastic side effects. In one instance, Defendant Don Hale refused to refund a consumer whose wife died (unrelated to BHRT) and was unable to continue with treatments.

636. Defendant Don Hale denied refunds to consumers after he was notified that they developed breast, cervical, and prostate cancer while or after taking the therapy or experienced drastic side effects during or after taking Defendant HRC Medical's BHRT.

637. This injury was not reasonably avoidable to consumers because of TCPA Defendants' deceptive statements about the safety, efficacy, and benefits of Defendant HRC Medical's BHRT; TCPA Defendants' misrepresentations about Defendant Dan Hale's expertise; the complexity of the health effects of hormones for laypeople to understand on their own without medical training; the deference consumers give to doctors and other medical professionals; and the timing in which the contract was signed before even blood was drawn and the individual met with a medical professional. Defendant HRC Medical also withheld important information about the safety, risks, and benefits of its BHRT.

638. The use of a no refund provision as set forth above has caused or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition.

639. Consumers have suffered ascertainable losses as a result of the unlawful acts set forth above in paragraphs 1-638 of this Complaint.

640. All of the advertisements referenced in paragraphs 1-638 of this Complaint were aired, broadcast, appeared, distributed, or otherwise available to consumers in Tennessee.

#### **ADDITIONAL FACTUAL ALLEGATIONS FOR JUDICIAL CORPORATE DISSOLUTION**

641. Plaintiff, the State of Tennessee, incorporates by reference and re-alleges each and every allegation contained in paragraphs 1-640 of this Complaint.

642. Employees at Defendant HRC Medical, with management's knowledge and approval, intentionally falsified the medical records of numerous BHRT consumers to make it seem on paper that the hormone pellets were ordered for each consumer at the time the consumer's BHRT hormone pellet dosage decision was made, when this was not the case.

643. As known to Office Manager Dane Hale, one of Don Hale's sons, employees of Defendant HRC Medical intentionally wrote the acronym "PO" on numerous medical records of BHRT consumers to indicate "Pellets Ordered," when this was not the case.

644. In reality, the pellets that were used by Defendant HRC Medical for BHRT had often been pre-ordered, usually in bulk and were usually on hand at the office well before a dosage decision for BHRT was made. As one example, Defendant HRC Medical purchased over \$20,000 worth of hormones in advance of ever seeing specific consumers using the "3<sup>rd</sup> Annual SottoPelle Seminar Special November 2008 Purchase Order Form" from Solutions Pharmacy.

645. Employees of Defendant HRC Medical, with management's knowledge and approval, also used a preprinted list of the same ICD9 codes (standardized diagnosis codes in the medical field) that the company would use for every patient to make it appear on paper as if a doctor had given a particular diagnosis when a doctor had not.

646. Employees of Defendant HRC Medical, with management and Defendant Dan Hale's knowledge, falsely indicated that doctors at Defendant HRC Medical, including Defendant Dan Hale and Dr. Charles Emerson, reviewed and approved prescriptions for BHRT and other drugs on pellet ordering forms, prescriptions, and insurance reimbursement forms, when they did not.

647. Unlicensed individuals and registered nurses routinely signed for Defendant Dan Hale, who did not regularly review patient records, to show his approval on paper.

648. In addition, on documents for pellet ordering and insurance forms, a stamp of Dr. Charles Emerson's signature was used to show his approval on paper, even though he largely did not review the forms. The stamp was kept by an unlicensed individual, but was available to everyone who worked at Defendant HRC Medical's Nashville office.

#### **FACTUAL ALLEGATIONS FOR FRAUDULENT TRANSFERS AND CONSTRUCTIVE TRUST**

649. Plaintiff, the State of Tennessee, incorporates by reference and re-alleges each and every allegation contained in paragraphs 1-648 of this Complaint.

650. After learning of the State's investigation and lawsuit, Defendants Don Hale, Dan Hale, and other officers of Defendant HRC Medical initiated, conspired together, and executed a plan:

- to disassociate the Hale name with Defendant HRC Medical's clinics on paper;
- to dissipate and siphon assets of Defendant HRC Medical to themselves and their wives;
- to cease paying the debts of Defendant HRC Medical;

- to cease collecting obligations owed to Defendant HRC Medical;
- to forgive debt owed to Defendant HRC Medical from its joint venture partners;
- and to largely reconstitute the exact same business under the name Legacy Medical Centers using the transferred assets of Defendant HRC Medical for basically no consideration in exchange.

651. After learning of the State's investigation and lawsuit, Defendant HRC Medical, with Defendant Don Hale's full knowledge and participation, fraudulently transferred essentially all of the assets of the Nashville clinic and, eventually Defendant HRC Medical itself, for minimal or no consideration—in an attempt to abandon Defendant HRC Medical and leave it as the repository for all liabilities. Further, Defendant HRC Medical through Defendant HRC Holdings, an ill-defined holding company whose assets were treated as belonging to Defendant HRC Medical, executed the same plan with respect to Defendant HRC Management Midwest, by attempting to have Defendant HRC Holdings assume all liabilities and have a newly-formed company, Defendant Midwest Restorative, take over all assets of Defendant HRC Management Midwest, without providing reasonably equivalent value in exchange.

## **BACKGROUND**

652. On November 10, 2011, NewsChannel 5, Nashville's CBS affiliate, aired an investigative report entitled "Some HRC Patients Complain of Hormone Side Effects," which described, among other things, several undisclosed side effects that Defendant HRC Medical's consumers experienced.

653. On December 2, 2011, the North Carolina Medical Board issued a decision denying Defendant Dan Hale's application for reinstatement of his license to practice medicine in the State of North Carolina. The letter cited, among other things, the company's failure to "mention serious side effects of hormone replacement therapy such as malignancy, pulmonary embolism, venous thrombosis, coronary artery disease, as well as other serious contraindications and risks" and recommended that the Wake County District Attorney consider criminal charges based on Defendant Dan Hale's unauthorized practice of medicine in North Carolina.

654. Around the same time period, Defendants Don Hale and Dan Hale ceased to actively communicate through their corporate-assigned e-mail addresses, don@hrcmedical.com and drdan@hrcmedical.com, and began to use different e-mail accounts, including hrcdonhale@gmail.com and drdanhale@gmail.com, to communicate with employees and officers of Defendant HRC Medical.

655. On February 28, 2012, Defendant HRC Medical, with Defendants Don Hale and Dan Hale's knowledge, was contacted by a television reporter based in Omaha, Nebraska, who asked about previous news reports about Defendants HRC Medical and Dan Hale and the December 2, 2011, decision by the North Carolina Medical Board.

656. After Defendant Don Hale was told about the reporter in Omaha by Bill Fletcher, Defendant HRC Medical's public relations agent, Defendant Don Hale sent the following response from the e-mail address hrcdonhale@gmail.com:

Bill,

I just talked to Dana about Dr. Dan's stock being put into a trust. The trust has been setup and I am hoping this can be done today. *That way we can say he does not own an interest in the company and is not an officer in the company. . . .*

Thanks,

Don

657. On March 5, 2012, Defendant Dan Hale proceeded to set up the "Cardinal Revocable Trust," with Dana Helton, Defendant Dan Hale's daughter, as trustee. Through an action by Defendant HRC Medical's Board of Directors, Defendant Dan Hale was replaced as a Director of Defendant HRC Medical by his daughter who served as Trustee for the Cardinal Revocable Trust.

658. Defendants HRC Medical, Don Hale, and Dan Hale decided to announce Defendant Dan Hale's retirement through a press release on March 8, 2012, and stated elsewhere that Defendant Dan Hale was no longer affiliated in any way with Defendant HRC Medical.

659. Defendant Dan Hale continued to be paid essentially the same amount he had received in wages from Defendant HRC Medical as an independent contractor from the end of March 2012, until the end of December 2012.

660. Shortly after March 8, 2012, Defendant HRC Medical was contacted by NewsChannel 5 reporter Jennifer Kraus who was preparing a follow-up story to her previous investigative report on Defendant HRC Medical. Ms. Kraus asked for Defendant HRC Medical's reaction to the fact that the Attorney General's Office was investigating Defendant HRC Medical.

661. On March 13, 2012, Defendant HRC Medical, with Defendant Don Hale and Dan Hale's knowledge and approval and through its public relations agent, issued a written response to NewsChannel 5's story, excerpted below, which acknowledged Defendant HRC Medical's knowledge of the investigation launched by the Attorney General and stated that Defendant Dan Hale was no longer affiliated with Defendant HRC Medical.





## HRC Medical Response to WTVF 3-13-2012

### Questions about House Bill 2801

HRC Medical is aware of legislative efforts to implement new regulations with regard to hormone replacement therapy in Tennessee. House Bill 2801 is consistent with current policies of HRC's managed medical practice. Because HRC Medical provides a high level of patient care we are very supportive of a strong, positive regulatory environment.



### Questions about Tennessee State Attorney General Discussions With Patients

HRC Medical often fields questions and inquiries from regulatory agencies in states where we provide hormone replacement therapy.

HRC Medical's policy is to cooperate with any and all regulatory agencies to address any concerns and to foster a strong, positive regulatory environment.

[break]

**Q. Is or has Dr. Hale or his attorneys been in any sort of negotiations with the Wake County District Attorney's Office.**



**A. Dr. Dan Hale is no longer affiliated with HRC Medical. Any further questions about Dr. Hale would be best directed to him.**

Dr. Hale announced his retirement on March 8, 2012. Following are details from that release:

Dr. Dan Hale, 67, founder of HRC Medical and the visionary developer of the company's Amor Vie®, has announced his intention to retire from the natural hormone replacement company.

[break]

662. The headline of the story that ran on NewsChannel 5 on March 13, 2012, was "State Attorney General Investigating HRC Medical Centers" and referenced undisclosed health problems and side effects that consumers experienced.

663. The story was shared internally among management at Defendant HRC Medical. Defendants Don Hale, Dixie Hale, Dan Hale, Montemurro, and Dana Helton, as well as Defendant HRC Medical and its extensions, Defendant HRC Management and Defendant HRC Holdings, were aware that the Attorney General was investigating Defendant HRC Medical on or near March 13, 2012.

664. On July 19, 2012, the State of Tennessee issued and began serving pre-filing subpoenas for sworn testimony on former employees of Defendant HRC Medical, namely Emily Henson, Amanda Garrett, Andrea Bernard, and Trina Lonning.

665. The sworn testimony of Emily Henson was conducted on July 25, 2012.

666. The sworn testimony of Amanda Garrett was conducted on August 3, 2012.

667. On August 9, 2012, Andrea Bernard was served with a pre-filing subpoena for sworn testimony.

668. The sworn testimony of Trina Lonning was conducted on August 13, 2012.

669. The sworn testimony of Andrea Bernard was conducted on August 16, 2012.

670. Defendants Don Hale, Dan Hale, and other officers and management of Defendant HRC Medical, including Charlie Cannata, were all aware that several former employees of Defendant HRC Medical were being questioned.

671. On August 4, 2012, the principals and officers of Defendant HRC Medical, including Defendant Don Hale, had a meeting with the joint venture partners to discuss the future of the HRC-

branded clinic locations. Charlie Cannata, who would later manage Defendant HRC Medical's Nashville clinic with his wife Susan Cannata as Defendant Bella Vita, attended this meeting.

672. Defendant Montemurro, the Chief Operating Officer of Defendant HRC Medical, recorded the notes of the joint venture partner meeting. His notes provide a roadmap for many of the asset transfers from Defendant HRC Medical that would follow. Defendant Montemurro stated the following, which is shown in gray below:

#### **JV Partner Meeting 8-4-12**

##### **Summary:**

HRC Corporation is at a crossroads. A decision must be made quickly to react to the circumstances that are, to varying degrees, affecting most centers across the company.

##### **Where we are:**

As we all know, there were mistakes made that have plagued and continue to plague HRC and its name:

- Channel 5
- BBB
- North Carolina
- HRC Name
- Emerging threats (regulatory issues in several states)

What needs to happen (and quickly):

##### **Partnership dissolution:**

The HRC name, along with the Hale name, are tarnished in the circles of the regulatory and media world. Due to upcoming events, there needs to be a "selling" of the ownership interest in the JV centers that ties Don Hale or HRC to those centers as well as an alleviation of the HRC name as a "burden" upon those centers.

As the company evaluates its options to restructure the HRC centers and the organization, one key option is to "sell" the HRC interest in each JV partner center to

the JV partners and to sell the 100% corporate-owned centers to another entity/caretaker.

As agreed to by Don, the proposed price for this "purchase" is to exchange the current ownership percentage held by HRC Corporate for a flat 8% of gross revenue.

If the partnership is equal (50%/50%), then the 50% ownership in the center held by HRC corporate (Don Hale) would be given to the JV partner (resulting in him/her owning 100% of the center) and would be replaced by a monthly 8% of gross revenue charge to the center.

### **HRC dissolution:**

HRC Corporate will be announcing next week that it has been purchased. The details of the announcement have yet to be worked out.

This will end the HRC brand, company, organization, support structure, etc. in its entirety.

These two events will culminate in the Hale name being disassociated from the JV partners and the HRC name being eliminated from use entirely.

The aim of these decisions is to remove the pressure upon the HRC name and Hale name from the independent centers.

### **What is left? What is the value?**

Of course, with the removal of HRC Corporate, the 6% fee charged to each center is no longer due.

The components that were supported by HRC corporate, though, become unsupported and lost without a direction and decision by the JV partners to come together in agreement in the best way to continue this foundation and structure . . .  
[break]

### **The Objective:**

To develop an entity that will cost effectively retain and stabilize the portions of the centralized value that will no longer be provided by HRC Corporate.

This entity must be able to retain the best parts of the HRC Corporate model, efficiently give the organization as a whole the foundation from which to continue the most basic operations and advantages as detailed above.

A new structure gives the centers and ownership a chance to reconfigure the structure and governance to protect their individual and collective interests. . . . [break]

### **The Proposal: A Business Model**

Whatever the final naming (and corresponding consequences), the structure that appears to make the most sense is a Cooperative, or "Co-op".

Established as a "for profit" motive (More on this in discussion)  
Legal Structure would likely be an LLC (for protection).

100% ownership would belong to the founding members. These "founding members" are the group we have gathered today. . . . [break]

### **Fees/Pricing:**

Currently: There are two categories of current fee/pricing structure. We are all familiar with the 6% and Fee-For-Service (FFS) items. 6% of gross revenue supported the ERS, regulatory help, organization, etc. FFS items included Kevin Mingle (image control), Lakeshore Media, etc. that each center paid directly to the vendor based on usage.

Proposed: There will still need to be two categories of the fee/pricing structure. A group has been working on "trimming the fat" of the organization to get it to a workable level and trying to determine what is necessary to create the Co-op and keep it funded appropriately.

The proposed percentage is between 2 and 3 % or [sic] gross revenue. It should not exceed 3%, and cannot realistically be below 2%.

Fee For Service items will still remain, and some may change, depending on work being done currently on restructuring those agreements. Salesforce.com will still continue at 1250.00 per month with 3250.00 per month being the initial 6 month investment in integration. Advertising placement, call recording, etc. will all need to be negotiated and configured as part of the fees due each center. These items are NOT included in the 2-3%.

### **What are we getting?**

HRC will contribute its assets, brand, intellectual property and certain staff for continuance of operations. These will become the complete property of the Co-op.

Currently proposed budget items:

Administrator – (to be defined) - 6,500 per month / 78,000 per year  
Assistant (bookkeeper, organizer) – 2,000 per month / 24,000 per year  
Caleb Raines (IT leadership) – 6,000 per month / 72,000 per year  
Charlie Cannata (Chief Medical Officer) – 6,000 per month / 72,000 per year  
Jeff (IT helpdesk/support) – 4,000 per month / 48,000 per year  
Gedas (IT Programmer) – 10,000 per month / 120,000 per year  
Internet/Hosting/Utilities – 5,000 per month / 60,000 per year (TBD)  
Legal (temporary, to be reduced) – 10,000 per month / 120,000 per year  
Rent – 3,000 per month / 36,000 per year (reduction of current space)  
Insurance (Medical) for Co-Op – 1,500 per month / 18,000 per year  
SEO/Other services – 3,500 per month / 42,000 per year  
Dan Reed (Portion currently pd by HRC) – 25,000 per month / 300,000 per year

The total per month expenditures are: 82,500 per month, or 990,000 per year.

Some of the items are absolute necessities. Other of these items still need to be negotiated or determined. We understand that these numbers are introductory and there will likely be inflation and deflation in areas. These aren't really the topic, but serve as a starting point for us to begin with.

Currently, according to 2Q numbers, the 25 centers represented here today had an average of 3,883,844.00 in revenue per month.

In order to achieve this coverage, 2% would equal 77,676.88 and 3% would equal 155,353.76 per month. . . . [break]

#### **What is necessary for this to work:**

The agreement we enter into mutually must have "teeth." This means that once we agree to contribute these funds, failure to do so will have consequences (up to and including dismissal from the Co-op). We cannot allow flex in this in the organization, execution, or operation of the Co-op.

Other rules, bylaws, guidelines, etc. must be created by the members here (e.g. requiring MasterPharm pellets, etc.) There is work to do, and it must be done quickly.

#### **What next? . . . [break]**

In order to go forward, we need to have a letter of intent from everyone who is interested. We understand that the details haven't been worked out – that's up to everyone here. But, before the effort is put forward to begin the structure, locate legal help, begin the transfer of assets, etc., we must have a reasonable buy-in from the centers represented by you.



Other items:

Naming: Go with a single, unified center name? Or different names and logos with a "featuring the exclusive Amor Vie Therapy? Tagline?

Consider cost, marketing, branding, shared advertising, paperwork, etc.

Need to determine what step in the process of your LLC was the "switch" and "naming" done in order to begin correcting those items.

Need to announcement [sic] simultaneously with the announcement from HRC that the ownership has changed and that HRC Medical Center is now "Newco" and is still the same quality product and center as before and still features the "Amor Vie" Therapy.

Need to complete agreements with Don for exchange of 50% ownership to 8% gross revenue.

Dana – Can we "tear up" the JV agreements we just signed and say they never happened? If not, what are the steps to "undo" what we have done?

New EINs may be necessary to separate yourself from the "issues" before. This may also help you reset with your local insurance companies.

We need to select a team to work on the "community" items (agreement, base rules, transfer of assets, creation of bank accounts, LLC, licensing, etc.)

We need to meet again soon to select a Board of Directors and a Chairman.

We need to "hire" the staff to get them going to work in the day to day running of the association (continuing operations)

And more . . .

673. On August 4, 2012, consistent with Defendant Montemurro's minutes of the meeting, Defendant Don Hale, Jeff Bowles, Grisel Wiley, Shane Dodgen, and Defendant Montemurro, among others, signed a document after the meeting that stated the following:

## NOTICE OF INTENT

It is my intent as evidenced by my signature below and as discussed in the meeting on August 4, 2012 in regards to structural changes to enter into and deliver the necessary agreements and documentation to the following:

- 1) The Buy/Sell agreement or whatever documentation is advised by counsel for the "purchase" or however it is appropriately defined by counsel the 50% interest of HRC Holdings, HRC Medical Centers, Inc. in my Series agreement, JV Agreement or License agreement as applicable. The initial terms are for 8% gross revenue over the course of 10 years. It is understood such terms may be negotiated within the final documentation.
- 2) Further, I commit to entering into the association or co-operative as advised by counsel as a Class A member (founding member) and commit to the monthly "membership" amount as determined by the association.

674. Over the next few months, Defendants Don Hale, Dan Hale, Dixie Hale, Montemurro, and Grisel Wiley, Shane Dodgen, and Jeff Bowles of Defendants HRC Management Midwest and Midwest Restorative essentially carried out this plan.

675. On September 11, 2012, Bill Fletcher, HRC Medical's public relations agent, received a call from Trina Lonning, who had previously provided sworn testimony in the State's investigation.

On a recorded voicemail, she stated:

Hey Mr. Fletcher. My name is Trina Lonning. I was given your name and number by Don Hale to give you a call. If you want to call me back you can call me at 615-542-[xxxx], 615-542-[xxxx].

Prior to the call, Ms. Lonning told Defendant Don Hale about her sworn testimony and Defendant Don Hale asked her to contact Mr. Fletcher.

676. On September 17, 2012, the State, through Investigator Trey King, served a pre-filing subpoena for testimony on Caleb Raines, Defendant HRC Medical's Information Technology Director. The next morning Caleb Raines forwarded an image of the pre-filing subpoena to Dane



Hale, who forwarded the image in an e-mail to Don Hale who in turn forwarded the subpoena to Bill Fletcher, Defendant HRC Medical's public relations agent.

677. In response, on September 18, 2012, Bill Fletcher sent the following e-mail to Don Hale:

Don,

*Based on this document, I think the situation is far, far more serious than I had believed.*

There is no need for me to call King. He's not going to talk to me because it is an active investigation.

I think we need a lawyer here in Nashville who knows the department and the personalities in question. I don't think this can be handled from Knoxville ... unless he is here frequently enough to do it in person. I can find you the right lawyer if you want.

*I also think you need to go ahead and execute whatever you are going to do and get yourself out of harms ways as far as selling the business.* I would imagine you would need to disclose this to the buyers but that's a matter for you and your lawyers to decide.

I don't think action is imminent ... they are clearly in the middle of the investigation. They are probably weeks, if not months away from doing anything. That being said, I don't think you can take the risk.

If you want, I can get involved more deeply and coordinate with the lawyers but we will need to either extend my deal or work out another deal. This is going to take a lot of time and effort and it is going to become public at some point.

*Bottom line ... the sooner you execute a sale ... the better. Doesn't have to be today or tomorrow ... but I think it needs to be within a month to be on the safe side.*  
Let me know what you want to do.

F

(emphasis added).

678. After Caleb Raines was served with a subpoena, Defendant HRC Medical caused the back-up server containing Defendant HRC Medical's proprietary electronic records system ("ERS") to be moved to the personal residence of Justin Smith, who at the time was employed by Defendant HRC Medical within its Information Technology department.

679. On October 8, 2012, the State filed its original complaint and other motions for extraordinary relief against Defendants HRC Medical, Don Hale, Dan Hale, and HRC Management Midwest.

### **INSOLVENCY**

680. In February 2012, according to entries in its own accounting records, Defendant HRC Medical had \$1.4 million in cash on hand, over \$1 million in accounts receivable, only \$581,056 in accounts payable, and over \$2 million in equity.

681. But as early as July 2012, Defendant HRC Medical's liabilities exceeded its assets, fairly valued when looking at Defendant HRC Medical's limited and, in places, inaccurate accounting records.

682. Prior to August 2011, Defendant HRC Medical kept its accounting records on a cash basis, meaning that revenue was recorded only when cash was received and expenses were recorded once cash was paid.

683. By the end of 2011, Defendant HRC Medical had begun moving towards an accrual basis of accounting for the clinic locations that Defendant HRC Medical wholly-owned. Under an accrual recording system, revenue is recorded when it is earned and expenses are booked when they are incurred, whether or not cash is received or paid.

684. Defendant HRC Medical's accounting records were largely kept on QuickBooks accounting software, but omitted some key details such as significant entries for accounts receivable and payable.

685. Throughout Defendant HRC Medical's existence, bookkeepers for Defendant HRC Medical sent daily "cash" updates to Defendants Don Hale and Dixie Hale, which provided an aggregate total of all bank accounts used in Defendant HRC Medical's business, including accounts in the name of Defendants HRC Holdings and HRC Management.

686. These bank accounts, though they had names with defined purposes, were treated functionally as one bank account for Defendant HRC Medical and were used to pay for numerous personal expenses of Defendants Don Hale, Dixie Hale, Dan Hale, and Bonnie Hale, including, among other things, Defendants Don Hale and Dixie Hale's \$1.465 million Brentwood estate, Defendant Dan Hale and Bonnie Hale's homeowners' association dues, Defendant Dan Hale's traffic tickets, dental bills, satellite and cable television bills, and \$45,000 for the purchase of a friend's house.

687. From the bank accounts that were used by Defendant HRC Medical, including accounts in the name of Defendant HRC Holdings, Defendants Don Hale and Dixie Hale made all of the decisions as to who got paid and when. These decisions about who to pay and when became more significant as Defendant HRC Medical began to have significant liquidity problems.

688. By the end of July 2012, Defendant HRC Medical was having significant liquidity problems.

689. As of July 20, 2012, Defendant HRC Medical was behind paying Fletcher Rowley, Inc. for its public relations services and had not paid any amount on invoices for \$7,500 each dated April 29, 2012, May 29, 2012, and June 25, 2012, that were all due upon receipt.

690. As of late July 2012, Defendant HRC Medical was failing to pay many other bills as they became due.

691. By September 2012, Defendant Don Hale expressed frustration that Defendant HRC Medical's Profit and Loss Statement did not reflect the company's actual liquidity, namely the cash that was actually available to Defendant HRC Medical.

692. Aside from cash, which plummeted during the course of the 2012 year, many of items recorded on Defendant HRC Medical's accounting records as assets were not as valuable as they appeared.

693. Defendant HRC Medical's officers were aware of the disparity between the value of assets shown in Defendant HRC Medical's accounting records and their actual financial condition. For example, on September 17, 2012, Brad O'Shoney, Defendant HRC Medical's former Chief Financial Officer who was working on a contract basis, sent the following e-mail to Defendants Don Hale and Dixie Hale excerpted in gray below:

On the call today you mentioned that you couldn't understand how we are showing a \$1M profit and if that is the case where is the money. After the call I pulled together a quick summary for you, but doing a quick look at the high level changes. The items below "net cash used" are items where cash was spent but didn't have a P&L impact on 2012. I broke it down into investments into the centers, note payments made, and the pension funding. Just those items at a high level explain more than the net cash used which is attributable to increase in Accrued Expenses which go the other way. I can spend more time and do a complete reconciliation if you wish but wanted to get something in your hands quickly to help in your thinking about profitability of the centers and use of cash. I hope this helps call me if you have any questions.

HRC Medical Centers  
Change in Cash Summary

Cash as of 12/31/2011	982,778
YTD Cash Basis Income	1,111,045
Less Cash at 7/31/2012	(1,474,150)
Net Cash Used	619,673
Net Investment in Centers	
Midwest A/R	(250,000) (\$500k less the \$250K investment from GSJ)
Atlanta	(185,331)
Baltimore	(61,385)
Tucson	(18,500)
Indianapolis	(41,949)

694. In September 2012, Defendant HRC Medical began having such problems with liquidity that it started heavily using a company American Express credit card as a way to generate cash to pay vendors that Defendants Don Hale and Dixie Hale authorized.

695. Defendant HRC Medical continued to receive complaints for non-payment from vendors in mid-to-late September 2012.

696. On September 21, 2012, Renette Pappas from Gannett's Collection Department sent Dan Reed of Lakeshore Media, Defendant HRC Medical's advertising broker, the following message expressing frustration of non-payment on a number of past due accounts:

What do you mean I should be in great shape? Is the 90+ day money going to be at the stations today for WTSP? They still owe \$5599.50. KSDK Still owes \$7076.25 that will turn over to 90+ this weekend. There is a new order for KSDK that I am holding and will not allow to run until this gets resolved. Please let me know soonest.

Thanks,

697. After Dan Reed insisted that the WTSP station's balance was paid and that the other station was not a problem, Renette Pappas stated:

WTSP was not paid now it is sitting in 150+ days. I am so over this.

698. On September 28, 2012, Greg Maier of Ionia Corporation sent Caleb Raines the following e-mail about past due invoices for work done from July and August, excerpted below in gray, in relevant part:

Caleb,

Were you able to make any progress on this payment? Could you work towards paying part of this or getting on some type of payment plan set up with us? This has been dragging on for quite some time now and would be excellent to get some type of action going on your end. Your stalled payment has not only effected [sic] our operating income but also my personal income directly as well.

You can reach out to our Accounting Department (Eric & Amy) directly and Cc: me to set up some type of arrangement to get the ball rolling. Please advise ASAP

Thank you for your prompt attention in the matter.

Sincerely,

Greg Maier

699. As of October 2012, Defendant HRC Medical's total assets exceeded its total liabilities *according to its own balance sheet and without looking further at the valuation of specific items*, when one adjusts for approximately \$1,267,825 in accounts receivable that Defendant HRC Medical would write off as uncollectible in November 2012.

700. Defendant HRC Medical's accounts receivable were relatively unchanged from August 2012, until they were written down in November 2012.

701. Defendant HRC Medical listed \$4,023,388 in total assets and \$2,782,101 in total liabilities in October 2012. However, when one reduces the total assets by the \$1,267,825 that Defendant HRC Medical would deem uncollectible the next month, Defendant HRC Medical's total liabilities *exceeded its total assets* in October 2012, by \$26,538.

702. The financial condition of the company did not go unnoticed. On October 2, 2012, Brad O'Shoney, Defendant HRC Medical's former Chief Financial Officer, who was working on a contract-basis, sent the following e-mail to Defendant Don Hale and Dane Hale stated below, in relevant part:

*Don/Dane now that September is in the books I wanted to point out what to me is an alarming trend. From August to September cash collections dropped by \$458K from \$1,822,000 in August to \$1,364,000 a 25% decrease. At that level of collections HRC barely covers its costs which in August for the corporate centers was \$1,319,250. . . . Whatever it is we have to get to the bottom of it and attempt a fix very quickly so that it doesn't continue through October, as October needs to be strong to sustain the company through November and December which are generally very weak. Let me know if you need more granularity into any of the numbers.*

Thanks,  
Brad

(Emphasis added).

703. In October 2012, Defendant HRC Medical's employees who were responsible for its accounts payable commented about Defendant HRC Medical not paying bills as they became due.

704. On October 15, 2012, Julie Boyett and Danielle McDonald, Defendant HRC Medical's employees responsible for accounts payable, engaged in the following Google chat on Defendant HRC Medical's e-mail system:

Julie: Do you have any September invoices that might not be in yet. I think most of the mail is coming to you first to be input, but expenses look low and wanted to check

[Danielle]: *there are a lot. Dixie hasn't paid hardly any in the last two weeks . . .*

705. On October 16, 2012, Danielle McDonald and another employee of Defendant HRC Medical engaged in the following instant message conversation:

Peggy: *[I] might as well pack it in cause I won't be getting any money the way its flying in and out of accounts*  
What is brad's number?

[Danielle]: you may have to talk to Julie cause I haven't seen brad in days

Peggy: ok....sheesh *Can't work for free . . .*

Peggy: phew! Julie just talked me down in from the ledge. LOL thanks,  
Chica

[Danielle]: :)

Peggy: LOL...I love you!

[Danielle] *if all this goes to [expletive], at least we have each other! haha*

(Emphasis added).

706. By November 2012, according to its own accounting records and without looking further at the valuation of specific items, Defendant HRC Medical, had \$1,469,271.91 more in liabilities than it had in total assets.

707. On November 15, 2012, Defendant HRC Medical had a negative cash available balance of \$21,487.00.

708. On November 16, 2012, Defendant HRC Medical had a negative cash available balance of \$13,308.

709. The downward financial spiral of Defendant HRC Medical continued in December 2012.

710. According to its own accounting records and without looking further at the valuation of specific items, the disparity between Defendant HRC Medical's total liabilities and assets reached \$1,514,389 in December 2012.



711. On December 11, 2012, Danielle McDonald engaged in the following instant message conversation with Carmen Hayes who worked at an HRC-branded clinic:

[Danielle]: dixie just called me, are you sure it's a payment issue, not technical issue? I paid this bill last week

Carmen: When you call its saying its disconnected

[Danielle]: they haven't gotten the check yet so I have to pay over the phone now and they'll reconnect.

Carmen: thank you  
Just to be sure ... that's for at&t. Just spoke to julie she mentioned windstream...windstream is our internet

[Danielle]: so it's att not windstream??

Carmen: yes...our phones are att...and its disconnected

[Danielle]: [expletive] I'm already talking to someone at windstream it's going to be a min

Carmen: awww....sorry :(

[Danielle]: paid \$1125.48 just now with check, confirmation #2451233456...just said it would be connected again once payment is verified. Idk how long that takes but if it's more than an hour i'd call ATT with this confirm. # and ask  
*sorry it got disconnected, dixie doesn't tell me to pay bills anymore so i have to try and keep track of what is over due and all that crap.*

Carmen: well thanks so much for getting it back on for us. Should I continue to send bills to you???

[Danielle]: yeah

(emphasis added).

712. On December 12, 2012, Defendant HRC Medical had a cash available balance after payroll of just \$14,669.00.

713. On December 27, 2012, Defendant HRC Medical had a cash available balance (not accounting for payroll or American Express) of \$106,229 and as of December 31, 2012, accounts payable according to Defendant HRC Medical's QuickBooks records totaling \$939,215.63.

714. By December 2012, Defendant HRC Medical's own balance sheet showed that it had accumulated *negative* equity of \$1,514,389.

715. After Defendants HRC Medical and Don Hale learned of the State's investigation, Defendant HRC Medical, with Defendant Don Hale's knowledge, also began to stop collecting on debts that were owed to Defendant HRC Medical.

716. For example, on December 3, 2012, Danielle McDonald engaged in the following instant message conversation with Defendant Dixie Hale:

[Danielle]: Did you know that Silverstaff hasn't paid us their half of the rent for the last 4 months?

Dixie: Janet just told me that. I will speak to Don

#### **SPECIFIC TRANSFERS: BELLA VITA**

717. Shortly before the State filed suit against Defendant HRC Medical on October 8, 2012, and after Defendant HRC Medical, Defendant Don Hale, Defendant Dan Hale, Defendant Cardinal Trust, and Charlie and Susan Cannata of Bella Vita were aware of the State's investigation, Defendant HRC Medical transferred all of the assets of the Nashville clinic to insiders of Defendant HRC Medical, and agreed to shoulder all of the clinic's existing liabilities in an effort to hinder, delay, or defraud the State as a potential creditor.

718. Defendant HRC Medical agreed to a blanket indemnification provision against future legal actions and the purported sale of *all of the assets of its most successful clinic* to the clinic's

office managers for \$1 and the promise to pay \$100,000 over 10 years “as the business becomes profitable and as the business may afford” and, failing that, a 0% interest loan to cover any negative cash flows.

719. Further, Defendant HRC Medical made the transfer of all assets of Defendant HRC Medical’s Nashville clinic at a time when Defendant HRC Medical was not generally paying its bills as they became due, when the sum of its debts exceeded its assets, at a fair valuation, and for less than reasonably equivalent value.

720. In the late spring and early summer of 2012, Defendant Don Hale approached Charlie and Susan Cannata, who both served in managerial positions at Defendant HRC Medical’s Nashville clinic location, about purchasing the Nashville clinic, which was Defendant HRC Medical’s most successful clinic with over 5,000 consumer BHRT purchases.

721. Discussions about the Cannatas’ purchase of the Nashville clinic occurred off and on, but became more intense in September 2012, after the contours of the August 4, 2012, plan with the joint venture partners became more clear.

722. In a document dated September 14, 2012, Defendant Bella Vita entered into an “asset purchase” agreement with Defendant HRC Medical for the Nashville clinic.

723. Under the terms of the asset purchase, Defendant HRC Medical agreed to sell the business assets, furniture, fixtures and equipment “specific to the management business of the Nashville Center” for \$1.

724. In exchange, Defendant Bella Vita agreed to pay \$100,000 in annual installments of \$10,000 a year for 10 years “as the business becomes profitable and as the business may afford.”

725. Under the terms of the agreement, if Defendant Bella Vita is unable to pay, Defendant HRC Medical will give Defendant Bella Vita a 0% loan to cover any shortfall.

726. Under the agreement, Defendant Bella Vita purports to not assume the liabilities of Defendant HRC Medical's Nashville clinic and "does not assume any responsibility financially or otherwise for any legal actions or litigations past, present or [sic] future that are initiated against the former HRC Medical Center(s) or Don Hale or Dr. Dan Hale and HRC agree to defend at its sole expense any such judgments, actions or litigations and shall agree to indemnify and hold [Defendant HRC Medical] harmless of any claims past, present or future brought against HRC Medical."

727. The names HRC Medical Center, Don Hale, and Dr. Dan Hale were the ones listed on the State's pre-filing subpoenas issued to former sales consultants.

728. The agreement is signed by Defendant Don Hale, Defendant Dana Helton, on behalf of the Cardinal Revocable Trust, and Susan Cannata.

729. Both before and after the effective date of the purchase agreement, Defendant HRC Medical began loaning money to Defendant Bella Vita.

730. On September 28, 2012, Defendant HRC Medical transferred \$25,000 to Defendant Bella Vita.

731. On October 8, 2012, Defendant HRC Medical issued a check to Bella Vita for another \$32,972.03.

732. On December 18, 2012, Defendant HRC Medical sent Bella Vita another check for \$8,827.59.

733. Defendant Bella Vita has not paid any portion of the purchase price to Defendant HRC Medical and is not known to have paid any other amount to Defendant HRC Medical.

734. Susan Cannata, the owner of Defendant Bella Vita, was aware that the purchase agreement looked suspect.

735. On October 24, 2012, after the State's lawsuit had been filed, Susan Cannata, sole member of Defendant Bella Vita, sent the following e-mail to a number of individuals including Defendants Dixie and Don Hale, which stated, in relevant part (shown in gray below):

I would like to clarify my agreement with Don.

1. I have agreed to purchase HRC's assets, but not their liabilities. Bella Vita continues to offer services to all HRC patients. Those on auto-monthly help alleviate expenses, however those who paid HRC in full will be an expense we absorb until they are up for renewal.
2. Because of ongoing legal issues, it must be very clear should the AG decide to investigate us, that Bella Vita is not in any way affiliated with HRC Medical. Our purchase agreement is not our only relationship. . . .

*It already looks bad enough that a former employee purchased the center days before the AG's case went on record. Bella Vita must have clear lines of separation. God forbid the ruling somehow goes against HRC, Bella Vita must be able to prove we stand on our own. . . .*

736. At the time Defendant Bella Vita assumed control over the Nashville clinic, it employed the same employees that Defendant HRC Medical had at the Nashville clinic, used the same BHRT as Defendant HRC Medical, used the same alternative BHRT regimens as Defendant HRC Medical, used the same compounding pharmacy for the supply of hormones as Defendant HRC Medical, used Defendant HRC Medical's trademarked BHRT name "Amor Vie" in advertisements, used BHRT advertising supplied by Defendant HRC Medical, contracted with the same vendors, used the same location, used the same phone numbers, and used all of Defendant HRC Medical's consumer records for the Nashville clinic.

737. The relationship between Defendant Bella Vita and Defendants Don Hale, Dan Hale, and HRC Medical has been so close at times that Charlie Cannata of Bella Vita assisted Defendant Dan Hale in gathering materials for his affidavit in opposition to the State's lawsuit.

#### **SPECIFIC TRANSFERS: MIDWEST RESTORATIVE**

738. On October 10, 2012, the day that the Court enter the original TRO, Defendants HRC Medical and HRC Management Midwest through Defendants Don Hale, Dan Hale, Defendant HRC Medical's extension Defendant HRC Holdings and the joint venture partners within Defendants HRC Management Midwest and Defendant Midwest Restorative Health conspired together to transfer all of the assets of Defendant HRC Management Midwest to Defendant Midwest Restorative for no money, to have Defendant HRC Medical through its extension Defendant HRC Holdings assume all liabilities for Defendant HRC Management Midwest, and to continue the operation of the clinics as usual under the name "Midwest Restorative Health."

739. The Memphis clinic continues to be controlled and managed by the same individuals, has the same employees, uses the same BHRT treatment, uses the same merchant account for credit card processing, uses many of the same BHRT advertisements and testimonials though through a new website, uses the same location, uses the same phone number, and uses Defendant HRC Medical for all of the services it previously provided before the name change.

740. At the time that the State brought its enforcement action against HRC Management Midwest, the company had two members, GSJ Joint Ventures, LLP, whose partners consisted of Grisel Wiley, Shane Dodgen, and Jeffrey Bowles, and Defendant HRC Holdings, whose members were Defendants Don Hale and Dan Hale.

741. Shortly after the State filed its Complaint, Grisel Wiley and Shane Dodgen flew to Nashville, met the Hales, and read the State's pleadings.

742. On October 10, 2012, *two days after the filing of the State's lawsuit*, the two existing members of Defendant HRC Management Midwest, Defendant HRC Holdings and GSJ Joint Ventures, LLP, ("GSJ") agreed to an asset purchase agreement. Under the terms of the asset purchase agreement, GSJ sold its membership interest in Defendant HRC Management Midwest to Defendant HRC Holdings *without any money changing hands*.

743. Instead, under the asset purchase agreement, "payment" supposedly consisted of GSJ's prior assumption of obligations for Defendant HRC Management Midwest. On paper, GSJ essentially walked away from any further obligations, terminated its non-compete agreement, and was indemnified for future legal actions including "all actions or activities of any governmental authority, including the Tennessee Attorney General."

744. In his affidavit opposing the State's original temporary injunction and receivership motions, Defendant Don Hale described the transaction this way: "The center in Memphis previously owned by HRC Management Midwest, LLC was acquired by HRC in October, 2012 and has now been closed." Previously, Defendant Don Hale stated in his affidavit "I am the President and CEO of HRC Medical, Inc. ("HRC") one of the named Defendants in the above matter."

745. Rather than being closed, the Memphis clinic, along with the Overland Park, Kansas and Omaha, Nebraska, clinic were just reopened under a new company name "Midwest Restorative Health, LLC" managed by Grisel Wiley, Shane Dodgen, and Jeffrey Bowles, at the exact same addresses as the HRC Management Midwest clinics.

746. Defendant Don Hale knew the clinics did not close. Defendant HRC Medical continued to do the payroll and other functions for Midwest Restorative Health at its Franklin office and had several overnight packages in Midwest Restorative Health's name addressed to 405 Duke Drive, Suite 240, Franklin, TN 37067 that were found at Defendant HRC Medical's corporate headquarters when the Receiver took possession of the building.

747. Shortly after the TRO was entered, Defendant Dana Helton sent Grisel Wiley an e-mail attaching the full TRO.

748. Despite the TRO, Grisel Wiley immediately began planning the transition of the HRC clinic in Memphis to another name. On October 11, 2012, Grisel Wiley sent an e-mail to Ritchie Elkins at CRE-8-TVE WORKS, a marketing firm, asking him to revise an HRC flyer she used for the Dallas HRC clinic so that she could hand them out at a trade show the following week. In the e-mail, Grisel Wiley instructs Mr. Elkins to:

- Change to Midwest Restorative Medicine
- Change the website address
- Change address to: 1790 Kirby Parkway, Suite 118, Germantown, Tennessee 38138
- Change phone number to: 901-969-2700

749. On October 15, 2012, Ritchie Elkins at CRE-8-TVE WORKS sent an e-mail to Grisel Wiley, Shane Dodgen, and Steve Johnson, and attached a "first look at the homepage." Mr. Ritchie explains that the homepage would contain the following content:

Welcome to Midwest (and Texas) Restorative Health

Our new site is scheduled to launch November 1<sup>st</sup>! While we are working hard on it, please accept our apologies for any inconvenience. Call 1-000-0000 for immediate assistance.



750. Grisel Wiley responded to Mr. Ritchie's e-mail and advised him that the immediate needs for the Memphis clinic were:

- Business Cards
- Appointment Cards
- Large Pocket Folders
- Tri-Fold Brochures
- Posters
- LOGO (PDF file)

751. On October 16, 2012, Grisel Wiley sent an e-mail to Stacy Searcy, the manager at the Memphis HRC clinic, with a draft letter and/or e-mail that could be sent to Memphis BHRT consumers to advise them of the changeover to Defendant Midwest Restorative Health. Ms. Searcy responded as follows:

I think we need to act pretty quickly in Memphis and get the girls to start calling/emailing/mailing to those patients sooner rather than later.

I would hope that the current patients will feel better about the change if they know about it before we start answering the phone "Restorative Health".

Thoughts?

752. Grisel Wiley responded via e-mail (shown in gray below):

First and foremost, we do not want to confuse patients by answering the phones before notifying them at least with an email and a phone call. Secondly, we must not make the transition until the name is legally ours. Third, we need the name of the sign company in Memphis to at least give them some advance notice that we are making a name change and how long will it take them to make up a new sign. Stacy, can you or Catie make that call? And, finally, we need to have the email system set up in order to send emails out with our new name. In the subject line we need to indicate the following: WELCOME HRC PATIENTS TO MIDWEST RESTORATIVE HEALTH!

753. On October 21, 2012, Grisel Wiley again e-mailed Stacy Searcy with more information about the transition to Defendant Midwest Restorative Health, stating in gray below:

Stacy, hopefully by early next week we should be able to make the transition to "Midwest Restorative Health" and there is much to be done to inform the public, particularly our patients. We must ALL give the same explanation for the name change. We are planning on expanding our services with offerings which compliment natural hormone replacement therapy and felt we needed a new name to reflect that change. Feel free to offer any other suggestions. Below is just a few of the more immediate items:

- Display a sign at the front desk, the consultant's office and the exam rooms with our new name and logo. The sign should indicate: Effective \_\_\_\_\_ HRC MEDICAL CENTER will change its name to *MIDWEST RESTORATIVE HEALTH* but will remain in the same location and the same telephone number. Further communication on new natural wellness offerings will soon follow. *(I still need to work on this)*
- Need to draft an email to be distributed to all patients and prospects
- New signage, business card, appointment cards, posters, commercials, etc.
- Establish new checking accounts, change account name with all vendors, etc.
- Do DBA change with merchant account; make the change to recurred billing patients and get new authorization forms signed to avoid disputes/chargebacks

....

754. On October 23, 2012, Grisel Wiley sent a lengthy e-mail to several HRC employees that stated the following (shown in gray below):

I am writing this evening to set the record straight on some of the rumors flying around the Frisco center. Much of what I heard is totally false, incorrect and very disturbing. I realize the center is not busy but I find all this chatter unproductive, distracting and de-motivating so here are the facts:

- [A]ll 37 HRC centers in 24 states are operational and doing well. NO HRC center has been shut down.
- ALL the claims regarding MasterPharm pellets are false. It is important to note that there are over 5,000 compound labs in the U.S. and only 136 of which are PCAP accredited. MasterPharm spent two years and many thousands of dollars to obtain their PCAP accreditation! Most recently, Dr. Laddy has been called upon by NY hospitals to advise them on sterilization process and procedures already implemented at MasterPharm. As someone who has toured their facility I can speak with conviction about their reputation and the fact that they spare no expense to ensure the safety and sterility of their pellets.
- Some HRC centers have changed their name. For example, HRC Nashville is now operated by Susan and Charlie Cannata, renamed Bella Vita Medical Center and the entire staff, including the medical director, continue to service all the patients

- Due to all the rebranding, HRC decided to take down the corporate website and the individual centers have already created and posted their respective websites. We have already posted the Midwest Restorative Health website for Kansas City, Omaha and Memphis
- *Now, regarding the legal claims against HRC. Immediately upon hearing the news, Shane and I flew to Nashville to meet personally with the Hales and obtain a complete copy of the complaint. I read every word of every page and many of the claims are untrue, some fabricated and not supportable with scientific data. I did not have all the facts and I can only report information that I receive from reliable sources. Details regarding the complaint are unfolding on a daily basis. Nevertheless, everyone is entitled to their day in court and HRC has retained competent attorneys who are preparing a vigorous defense and so is MasterPharm.*

755. On October 24, 2012, Defendant HRC Medical through Caleb Raines sent Catie Haugh a spreadsheet containing the entire list of Memphis BHRT consumers at her request.

756. On or after November 6, 2012, former employees of Defendant HRC Management Midwest drafted a letter to be sent to Memphis BHRT consumers. It is shown below in gray:

November 6, 2012

Dear [Patient],

This letter is a follow up with you regarding some changes at HRC Medical of Memphis.

Effective November 1, 2012, our name will no longer be HRC Medical Center. Our new name will be Midwest Restorative Health. Our new website [www.midwestrestorativehealth.com](http://www.midwestrestorativehealth.com)

Our medical team has decided to add some additional services to offer you at our center, and we have changed our name to reflect these changes. You will still get the same hormone therapy at the same location with the same staff, just under new management and a new name.

As always, we appreciate your time and please feel free to contact us with any questions.

We look forward to seeing you at your next appointment.

Thanks,

Catie Haugh  
Center Manager  
901.969.2700

757. As of the date of the filing of this Amended Complaint, Defendant Midwest Restorative continues to sell BHRT in functionally the same way it did at the Memphis clinic before the State's lawsuit.

758. All of the assets of Defendant HRC Management Midwest were transferred, in effect, to Defendant Midwest Restorative with no known agreement and with no money changing hands.

759. Further, this transfer, in which Defendant HRC Management Midwest did not receive anything approaching reasonably equivalent value, was made at a time when Defendant HRC Management Midwest's debts were greater than all of its assets, fairly valued.

760. As of October 31, 2012, Defendant HRC Management Midwest had been delinquent on paying \$44,759.65 to Defendant HRC Medical for over 90 days.

761. As of October 31, 2012, "HRC Memphis" had been delinquent on paying an additional \$115,304.91 to Defendant HRC Medical for over 90 days.

762. As of December 11, 2012, Defendant HRC Management Midwest had cash collections of \$407,340.23, but owed Defendant HRC Medical \$393,209.79 in out-of-pocket expenses incurred more than 90 days before, \$48,750 in Salesforce expenses, and an additional \$250,000 note receivable.

### **SPECIFIC TRANSFERS: LEGACY MEDICAL CENTERS, LLC**

763. After the filing of the State's lawsuit, despite a written agreement claiming only to transfer "ownership of HRC patients receiving hormone replacement therapy treatment" to Defendant Legacy, Defendant HRC Medical through Defendants Don Hale, Dan Hale, Dixie Hale, Montemurro, and the Cardinal Revocable Trust, transferred, in effect, all of the assets of the clinics that were wholly owned by Defendant HRC Medical and other assets owned by Defendant HRC Medical to Defendant Legacy.

764. The exact details of the transfer of assets from Defendant HRC Medical to Defendant Legacy are not known because Defendant Don Hale, in direct contravention of the receivership order entered by this Court on December 27, 2012, returned to Defendant HRC Medical's corporate office located at 405 Duke Drive, Suite 240, Franklin, TN 37067 on Saturday, December 29, 2012, and removed Defendant HRC Medical's records—including those relating to the transfer to Defendant Legacy—before the Receiver took possession of the premises.

765. Still, the contours of the asset transfer from Defendant HRC Medical to Defendant Legacy are clear, namely that Defendant HRC Medical transferred, in effect, all of the assets of Defendant HRC Medical's wholly-owned clinic locations to Defendant Legacy for which Defendant HRC Medical received no money in exchange.

766. The only monetary payment between the two companies is a \$33,000 payment *from Defendant HRC Medical to Defendant Legacy*.

767. The only known written agreement between Defendant HRC Medical and Defendant Legacy was signed on November 29, 2012. On that date, Defendant HRC Medical and Defendant

Legacy memorialized an asset purchase agreement between the two companies, which is shown below in gray:

This Letter of Authorization will confirm that HRC MEDICAL CENTERS, INC. has transferred ownership of HRC patients receiving hormone replacement therapy treatment to LEGACY MEDICAL CENTERS, LLC, as part of this 1<sup>st</sup> day of November, 2012. Attached are all the Facilities involved in this ownership transfer. As part of this transfer of ownership, LEGACY MEDICAL CENTERS, LLC assumes all responsibilities as well as all liabilities for past, current and future contract services for hormone replacement treatment.

768. The attachment is signed by Defendant Don Hale and Ron Howell and was notarized by a notary public in Williamson County, Tennessee. The second page of the attachment is shown below in gray:

#### Facilities

The following is the list and location of all the HRC Medical Centers involved in this Asset Purchase Agreement:

HRC Medical Grand Rapids  
6151 28 Street Southeast #20 Grand Rapids, MI 49546

HRC Medical Detroit  
28345 Beck Road Wixom, MI 48393

HRC Medical Lexington  
2285 Executive Drive #100 Lexington, KY 40505

HRC Medical Greenville  
301 Halton Road Greenville, SC 29607

HRC Medical Atlanta  
2849 Paces Ferry Road Southeast Atlanta, GA 30339

HRC Medical Greensboro  
7029 Albert Pick Road #200 Greensboro, NC 27409

HRC Medical Charlotte  
10512 Park Road Charlotte, NC 28210

HRC Medical Raleigh  
4201 Lake Boone Trail #005 Raleigh, NC 27607

HRC Knoxville  
9123 Cross Park Drive Knoxville, TN 37923

769. The assets actually transferred to Defendant Legacy by Defendant HRC Medical included incoming accounts receivable from consumers, joint venture partners and vendors, intellectual property, consumer data, and basically every other asset possessed by Defendant HRC Medical save for around \$90,000 found in Defendant HRC Medical's bank accounts after the receivership order. As with previous transfers, Defendant HRC Medical functionally acted as the receptacle for contingent and realized liabilities and Defendant Legacy, in essence, continued the same business as Defendant HRC Medical under the new name Legacy Medical Centers.

770. For automatic debits or ACH payments set up by Defendant HRC Medical consumers, Defendant Legacy did not obtain the consumers' consent to bill for Defendant Legacy, but has billed consumers anyway.

771. As early as August 2012, and after knowledge of the State's investigation, Defendant Dan Hale met with Ron Howell, who ultimately would become the sole member and CEO of Legacy Medical Centers, LLC, to discuss Ron Howell's purchase of HRC Medical clinics.

772. This meeting is evidenced in an e-mail from Defendant HRC Medical joint venture partner Donald Cameron to Defendant Don Hale dated August 23, 2012, which is shown below in gray:

Don, knowing part of what is currently going on at HRC Corporate, Arden introduced a contact to Dr. Hale yesterday that quite frankly turned out to be extremely positive and potentially a great opportunity to not only solve some current problems, but position the company for an unlimited future. Personally, I am one of



the world's biggest skeptics, especially given some of the meetings I've attended over my career that turned out to be a total waste of time. I can say after yesterday, I feel privileged to have met Ron Howell. I surprisingly found him to be a true visionary and very successful businessman even though his most recent business involvements utilize a direct marketing approach to growing a business. I learned that over the span of his career he has taken some very traditional and competitive businesses and successfully built them and sold them at what he indicated was an insane amount of money. He has a demeanor such that he told of these business experiences without ego even being a factor. Having achieved personal wealth, his driving force now is "legacy" – How can he help impact the lives of people in a healthy, positive way? I believe his ability and willingness to write a check for any amount that makes sense is genuine.

I say this to suggest that it would be well worth your time to come to Virginia and meet with Ron and his people at their home office. He has the next week and half open before making an international trip. Based on the meeting yesterday, I believe this is a man that can make a commitment quickly, and work out the details later providing the underlying principles are followed. Ron and Dr Hale, over the course of several hours developed an obvious mutual respect and common philosophy regarding the various disciplines necessary to make a business successful as well as a common and active role in what they give back to others.

#### Additional thoughts;

Yesterday, Ron learned that not only does Dr Hale and you have a passion for this business, but so do the venture partners like myself, Pam and even Adren.

Yesterday, Ron learned that contrary to what Dr Hale said HRC is not 100% owned by you and he, but also by some 20 plus other JV partner's in whom "most" share the same passion for the business.

Yesterday, I believe Dr Hale learned that you cannot take "partners" and turn them into employees and micro manage their business.

Yesterday, I believe Dr Hale learned that there are far less complicated ways for bringing together a diverse group of partners into a common business goal than the very expensive complex approach undertaken by the Samek Clan.

Yesterday, I believe Ron saw that it is still not too late to bring the majority of the JV partner's into a business structure that encourages their autonomy and success, especially with the help of myself and other key partners.

Therefore, provided egos do not get in the way, there is a deal here that will benefit you, Dr Hale, the JV partners, and potentially position the company to become an international provider of not just life changing hormone therapy, but his cancer treatment, if it is what he represented and I have no reason to doubt him at this point,. The new HRC, whatever it turns out to be could have enormous potential!



So, I encourage you to talk to Dr Hale and see how soon you and he can visit with Ron in Virginia.

Thanks for your consideration!

Sincerely,

Don Cameron

(Spelling and grammatical errors in original).

773. Defendant Don Hale and Ron Howell met less than two weeks later on September 3, 2012, when Ron Howell flew from Newport News, Virginia, to Nashville to discuss a potential deal to purchase Defendant HRC Medical's wholly-owned clinic locations.

774. After Defendant Don Hale received the State's pre-filing subpoena for sworn testimony from Caleb Raines, his discussions with Ron Howell about the purchase of Defendant HRC Medical intensified.

775. On September 28, 2012, at Defendant Don Hale's request, Julie Boyett e-mailed financial information belonging to Defendant HRC Medical to Ron Howell.

776. From October 1-3, 2012, Defendants Don Hale and Dixie Hale met with Ron Howell in Williamsburg, Virginia to discuss the deal.

777. On October 4, 2012, Defendant Don Hale and Ron Howell exchanged e-mails about the trip. In one of the exchanges, Defendant Don Hale states the following excerpted in gray below:

Ron,

*[I] can not wait to get started growing this company and working with you and your team. I have the excitement I had a couple of years ago and have a feeling we are not only going to have a lot of fun, but we are going to change many, many peoples [sic] lives for the better. I know we can achieve a great success working together.*

Talk to you tomorrow.

Don Hale  
HRC Medical, Inc.

778. On October 11, 2012, three days after the State's original Complaint was filed and one day after the TRO was issued, the Articles of Organization for Legacy Medical Centers, LLC, were signed.

779. By October 11, 2012, Defendant HRC Medical's joint venture partners began executing a plan to, on paper, sever the association of other clinic locations with Defendant HRC Medical with help from officers of Defendant HRC Medical.

780. On that date, Defendant HRC Medical's Chief Operating Officer, Defendant Montemurro, sent out the following e-mail excerpted in gray below:

Hello Team Awesome!!!

I am energized and excited about the new direction we are venturing. I Strongly Believe this is the answer we are seeking.

Need help with name?

We will be doing hormones, weight loss/weight control, skin services (micro derm, injectables [sic] Botox etc.) laser services (hair removal, toe fungus, vein removal, age spots, photo facial etc.)

Specialized health services is our mission that enhance Quality of Life. We will get them feeling better than get them looking better.

"Energizing life and relationships"

New Life MD or Medical Center

"Optimal Health Centers"

THC "Total Health Centers"

"High on Life"

Life Advantage

"Optimal Health Specialists"

Alternative Health Centers

"Live life to its fullest"

Life Image Centers

"Changing lives for the better"

Tampa Health and Wellness

"Creating a better tomorrow"

Coastal Medical Centers

"Optimizing Health and Wellness"

"Revitalife Therapy" (Name for the pellet therapy)

Life Source Medical Centers

"Empowering lives through optimal health"

--

Mike Montermurro

COO

HRC Medical – Corporate

405 Duke Dr. Suite: 240

Franklin, TN 37-67

(O): 615.472.1871 ext: 612

Email: Mike@hrcmedical.com

781. In November 2012, Defendant HRC Medical continued to supply Ron Howell and Defendant Legacy with financial information.

782. On November 5, 2012, Janet Brantley, one of Defendant HRC Medical's employees, forwarded additional corporate revenue data for Defendant HRC Medical's wholly-owned clinics and joint venture partner clinics to Ron Howell.

783. Information about the transition from Defendant HRC Medical to Defendant Legacy was shared with Grisel Wiley, one of the owners of Defendant Midwest Restorative who provided payment processing services used by Defendant HRC Medical and then Defendant Legacy.

784. Grisel Wiley of Defendant Midwest Restorative stated in an e-mail sent on November 7, 2012, which is excerpted in gray below:

- As you well know, SunTrust informed HRC they need to find another bank partner. They no longer desire to do business with them so HRC had no choice but to establish accounts at Regents [sic] and Fifth Third . . . .
- Subsequently, the HRC centers below were acquired by Legacy Medical Centers
- We submitted all the merchant applications to process the ownership change
- LEGACY MEDICAL CENTER has a bank relationship with WELLS FARGO and all the proper documentation was also submitted with the new merchant apps
- Deposits for Dr. Murphy's centers (which is part of the ownership change to Legacy Medical Center) are still going to SunTrust. IMPORTANT: It is critical that we make that bank change to Wells Fargo IMMEDIATELY as SunTrust is shutting down the account(s) by FRIDAY, NOVEMBER 9<sup>TH</sup>!!

If you still have any concerns about what needs to be done, please give us a call. We are pursuing other potentially very lucrative opportunities with the owner of Legacy Medical Center so it is extremely important that we make this transition as seamless and painless as possible! Thx, Grisel

785. On November 9, 2012, Grisel Wiley sent an e-mail to Julie Boyett and Shane Dodgen with copies to Don Hale and Dixie Hale about setting up payment processing for Defendant Legacy. In the e-mail, Grisel Wiley wrote, which is excerpted in gray below:

Below is a detailed outline of the changes requested on the corporate owned centers. Just to be clear EPN is the payment gateway used to transmit credit card payments and recurred payments. This will confirm my conversation with Don that First Data will not accept nor can we transition the HRC Medical merchant accounts to Legacy Medical Centers until we are in receipt of a contract or agreement giving Legacy legal rights to credit card payments from HRC patients at which time Legacy will also take liability for BHRT services and respective payments. Until, everything remains status quo. We will await Don's response. Thx, Grisel.

786. Additionally, on November 9, 2012, Dan Reed, Defendant HRC Medical's advertising broker at Lakeshore Media, sent an e-mail to Ron Howell of Defendant Legacy listing the

things he needed in order to process advertisements for Defendant Legacy. In the e-mail, Mr. Reed stated (excerpted below in gray):

Ron,

I have the package with all of the credit applications. We are going through them today to make sure that we are not missing any.

I have a few items on my need list, please let me know if you need help with any of them.

1. *I need an intro letter briefly explaining the new ownership and that all outstanding invoices need to go to the old owners at HRC PO Box 683005 Franklin, Tn 37068*
2. Your updated logo so that we can finish the new TV commercials
3. Your URL address for the new website so that we can include it in the commercial if it is ready.

Thank you,  
Dan Reed . . .

787. Dan Reed received the letter he requested, which is excerpted in gray below:

Dear Sir,

Please find this letter as a written memorandum to update your company concerning HRC Medical.

HRC Medical is closing its doors as of Friday 11/30/12 permanently.

Please make sure that you have no media scheduled after the closing date above.

Please send all correspondence including any outstanding invoices to the address below.

PO Box 683005  
Franklin, Tn 37068

Thank you for your prompt attention,

/s/ Don Hale

CEO

788. Defendant Dan Hale also continued to be actively involved in Defendant HRC Medical's transition to Defendant Legacy after the State's lawsuit.

789. For example, Defendant Dan Hale sent a lengthy e-mail to Ron Howell on November 19, 2012, in which he expressed interest in starting BHRT clinics outside the United States. In an e-mail, Defendant Dan Hale stated (excerpted in gray below):

Ron, Monday morning and ready to do whatever is necessary to move the ball forward.

If you are serious about doing something in Panama, this is where we stand. The lady patient from Panama City, Panama, [first name redacted], will be here in Knoxville December 3th along with her husband. I will meet with them and see what their interest is. I believe all will go well from their desire to establish a BHRT office in Panama City. The population of Panama City proper is 880,000. With the surrounding area it is ½ mil. The average income is \$11,000/year. But there are a lot of wealthy folks moving from Venezuela to Panama to escape Chavez and moving from Mexico to escape the drug traffic.

The income tax rate is 7% for residents of Panama. Foreigners are more than welcome there is [sic] they can show you have an income from a government pension or regular income of 41000/month from a company or investment. You pay only 7% of your taxes on income in Panama. If I lived there 6 months out of the year and my pay from what ever we do comes through Panama. . . . 7% tax. The banking system is very stable. There are American banks there that are as secure as a bank in America.

Real estate is very inexpensive. You can rent a nice apartment for \$400/month. You can buy a nice house. . . . 2 bedroom on the beach or near the beach for \$100,000. It is a developing country meaning that the services are not necessarily at your finger tips. . . . like repair of aid conditioning when it goes out.

If all goes well with Liza December 3th, I am ready to look into Panama. I would need to go there for a few days and see the lay of the land. If we decided to establish an office there I would need to live there for at least 3 months and maybe 6.

As I said, Rhett and I hit it off great. I believe he would be great to "supervise" the Atlanta area. . . . maybe 3 offices there including his office. I believe he would love to do almost nothing but BHRT. He has a fantastic staff that would be able to build where he is and then extend out to other areas. I love his staff.



He did not know much about the cancer treatment you are doing. He says he would need to have a lot more information from the cancer centers (he prefers to call them wellness centers....or something like that). And I agree, I need to meet the people and have a lot more detailed information about the nature of the treatment program.

I like the idea of "call-a-doc". I would love to help set this up. I know what buttons to push to get doctors on board and can work to develop this concept if that is where you want to go.

I am pleased with the way the hearing is going. I do not know what the decision the judge is going to make but we can work from there once that decision is made.

Thank you for all your hard work to make this venture a great success.

Dr. Dan E. Hale

Knoxville, TN

(Spelling and grammatical errors in original).

790. By the middle of November 2012, employees of Defendant HRC Medical began to actively use Defendant Legacy's name on business forms and advertising—much of it by copying and pasting the text or otherwise taking the content that Defendant HRC Medical had created.

791. For example, on November 19, 2012, Dane Hale sent an e-mail to Defendant Montemurro which listed the steps to convert Defendant HRC Medical's forms to Defendant Legacy forms. The e-mail states (excerpted below in gray):

Steps to convert forms:

1. Go to Portal to look up the title of the form you want to change
2. Go to dropbox to find the original copy of that form (not the PDF, but the word document, etc.)
3. Save the form to your computer in an organized folder format (the dropbox is too disorganized)
4. Take out the HRC Medical logo and replace it with the Legacy Logo
5. Do a "Find and Replace" command in Word and replace anything with "HRC" with "Legacy"

6. Take off any location information (i.e.: the address at the bottom of the form)
7. In the top of the policies there is a box that says "responsible party" Delete any name listed underneath that
8. Save the form to your desktop

.... Once you have them all done I'll ask for them in a zip format and we will repost them to the portal.

792. On November 19, 2012, Phil Samek, the manager of the Greenville, South Carolina clinic contacted Defendant Don Hale, Dane Hale, and Defendant Montemurro to ask them for details about the transition to Defendant Legacy. In the e-mail, Phil Samek wrote (excerpted below in gray):

Don, Dane & Mike,

I know there has been a lot going on at HRC over the past few months and I understand there will be many more changes over the next few weeks as we change over to Legacy Medical. As an employee, I'm not involved in the decision making process for these changes but once you or the Legacy officers & directors make those decisions I will help to implement and manage them. Can you please update me on the following items:

- It is my understanding that the current Greenville HRC employees will become Legacy Medical employees at some date. Please let me know in advance so I can prepare them for the change and get all necessary paperwork filled out (W-4, I-9, Direct Deposit Information, new application if required, NDA, etc...)
- Please let me know how you plan on setting up the new company as it relates to the Corporate Practice of Medicine standards for South Carolina. If the plan is to have Dr Casebolt have a PC in place, she currently does not have one and that needs to be addressed. Currently she is being paid as an independent contractor at a rate of \$125/hr or \$1,000 per day and is scheduled 2 days per week. Payments are made to her S-Corp company of "Godenick, Inc." FYI she does currently have another LLC inexistence for another medical practice she is developing on the days she does not work with HRC if that is even a factor.
- What is the expected changeover date from HRC to Legacy Medical. Is Legacy currently set up to do business in SC? Does Legacy have an EIN # or LLC registration papers, or other documents needed to get the business license the new entity will need to operate here in Greenville.



• *All of HRC Greenville's accounts payables are taken care of out of Nashville, will this continue to be the case? Since most of the bills are sent directly to Tennessee I don't know where we stand with any of our vendors on payables. Is there anything I need to be aware of, or plan for, if my services or suppliers close the accounts before the new ones get opened. I need to be prepared in order to have uninterrupted normal daily business operations.*

• *When and how will we answer the phones differently than HRC Medical? When and how should we let our patients know about the change?*

• *It is my understanding that the Greenville Center will be back on the air with new Legacy Medical advertisements starting 11/26/12. What actions do I need to do locally to prepare for this and make sure we are in compliance?*

*I look forward to the upcoming change to Legacy Medical and will help you manage the changes that you decide on for the Greenville Center. Please keep me updated on what needs to happen here in SC to make this change as smooth as possible.*

*Thanks, Phil*

793. By the end of November 2012, Defendant HRC Medical through Defendants Don Hale, Dan Hale, Dixie Hale, Montemurro, and others were close to finalizing the name change to Defendant Legacy.

794. On November 25, 2012, Ron Howell of Defendant Legacy sent an e-mail to Defendants Don Hale and Dixie Hale in which he asked for content for a "roll out" presentation on Defendant Legacy. In the e-mail, Mr. Howell states (excerpted below in gray):

*Hey Don/Dixie... Now I need your help... I would love to have a "roll out" presentation immediately... including existing/new/additional products/protocols... etc.... If you give me the "stuff"...Erick and I will make it PRETTY!...please advise... thanks... Ron*

795. On November 30, 2012, Dane Hale, Defendant Don Hale's son and Vice President of Operations at Defendant HRC Medical, sent the following e-mail out to individuals at Defendant HRC Medical's clinic locations (excerpted below in gray):

As explained on the phone, HRC is going away and Legacy is taking over. Here are the first steps, starting Monday, we need in place:

1) signs on door – place a printed sign of the legacy log to put around the HRC Medical sign to show there is a presence of a new company in the building

2) answer the phones:

“Hello, Medical Centers Dr. [FILL IN DOCTOR'S NAME HERE] office, how may I help you?”

3) Start using Legacy forms, not HRC forms (they are all located on the portal)

If advertising reps walk in about HRC Medical business, the verbiage to use with them is “HRC is no longer at this facility. They can be reached at this this [sic] PO Box” – also give them the HRC Letter for advertising reps (I will email you before the end of today, Dan has yet to give it to me).

If patients want to know what is going on with HRC and what Legacy is, please use this verbiage: “HRC is no longer doing business in this market. The Dr. [FILL IN DOCTOR'S NAME HERE] and his/her staff have joined hands with Legacy Medical and managing the company going forward. Same doctor, same staff, same protocols, new management company. “

The point of the steps on Monday is to disassociate HRC Medical from Legacy because they are two different companies and HRC Medical is not “[turning] into” or “becoming” Legacy. Legacy Medical is acquiring HRC Medical assets and is honoring HRC Medical contracts from their current patients.

Thank you so much! I know with the days moving forward we will be busy transitioning but I do appreciate your support and patients! [sic] I will talk to you soon!

-Dane

796. In December 2012, Defendant HRC Medical took further steps to complete its transformation to Defendant Legacy.

797. On December 4, 2012, Julie Boyett exchanged e-mails with Mary Cummings, Chief Financial Officer for one of Ron Howell's other companies, to set up the payroll and operating bank accounts for Defendant Legacy.

798. While Mary Cummings and Ron Howell had access to the Defendant Legacy's bank accounts, Defendant HRC Medical's employees Julie Boyett, Janet Brantley, and Danielle MacDonald continued to deposit and withdraw funds on a daily basis for Defendant Legacy from Tennessee as they had done for Defendant HRC Medical.

799. Additionally, on December 4, 2012, Dan Reed of Lakeshore Media sent an e-mail to Ron Howell asking him to "tweak or approve" a proposed media announcement letter regarding Defendant Legacy's purchase of Defendant HRC Medical's assets. The text of the letter stated (excerpted below in gray):

Dear Sir,

Please find this letter as a written memorandum to update your organization on the most recent activities of Legacy Medical centers. Legacy Medical Centers is a Virginia based company that has recently purchased the assets of HRC Medical Centers.

Utilizing the existing patient base we anticipate both internal growth from our extensive health oriented platform of services as well as external expansion from new market penetration. We have a very unique venue which combines natural nutritional health options and integrated medical protocols resulting in restorative quality of life.

This is a very exciting time for Legacy Medical Centers as we begin our venture to assist individuals looking for an option to live a healthy balanced life using natural based products and integrated medicine.

It is our goal to establish a strong working relationship between your organization and ours. We recently made the acquisition of HRC's assets and will not be assuming the HRC debt obligations. All past invoice inquiries need to be forwarded to the following address:

HRC  
PO Box 683005  
Franklin, TN 37068

We are confident that we possess the key fundamental knowledge of a successful advertising campaign as well as the sustainable capital to see it through.

Legacy Medical Centers is looking forward to a mutually rewarding relationship as we partner with your services to collaboratively capture the potential market share in need of our products and services.

800. Likewise, on December 4, 2012, Defendant Montemurro, Defendant HRC Medical's former Chief Operating Officer, who essentially continued this position with Defendant Legacy, sent an e-mail to Defendant HRC Medical's clinic managers in which he discussed transferring employees between Defendant HRC Medical and Defendant Legacy. Defendant Montemurro stated (excerpted below in gray):

Hello Everyone,

First of all I want to thank all of you for your patience and understanding during these past few days. It is exciting to have this new direction and as you can imagine we have a few things to do moving forward. Everyone will continue seamless employment without interruption. We have compiled quite a list and will be reliant on you as managers to help facilitate most of the front line initiatives. We will need to have new I-9 and W4 forms filled out by each employee as well as new NDA's for everyone as well as many other line items to be announced.

I am aware that many of you feel there are more questions than answers but I ensure you we will have some detailed structure in place in the next few days and you will have some clarity. We will be holding a phone conference meeting in the next couple of days with everyone on the management team and I am confident you will have many of the puzzle pieces in place over the next few days.

Sincerely,

Mike Montemurro

801. On December 5, 2012, at 11:00 a.m. ET, one day before the continuation of the hearing for the temporary injunction and receivership motions, Defendant Don Hale, Dane Hale, Defendant Montemurro, and Ron Howell, CEO and sole member of Defendant Legacy, convened a conference call to discuss the remaining steps in the transition.

802. Defendant Montemurro recorded the minutes as follows (excerpted in gray below):

Mike, Dane, Caleb, Don, Ron

Emails (Caleb/Gus)  
Dr. letters hiring Legacy  
Monday to set up marketing win back campaign – extra 3 months, New people, no resigns, buy 12 get 15, 3 month program guys men \$499, women \$299,  
Consent to charge (notice to patients)  
Dane to call Phil on Greenville recurring payment strategy  
Training starting Monday for call center  
New marketing campaign to start January  
HRC down  
Legacy up  
Amor Vie name / HRC name out  
Julie getting new W4/I9  
Center manager call 11 am EST Friday

New product rollout  
Internet marketing  
Marketing strategy  
Call center set up

803. At 2:00 p.m. ET on December 5, 2012, *the day before the continuation on the State's hearing on its receivership and temporary injunction motions*, another conference call was held between Dane Hale, Defendant Montemurro, Caleb Raines, Dan Reed, Justin Smith, an employee in Defendant HRC Medical's IT department, Julie Boyett, Ron Howell, Defendant Legacy's CEO and sole member, Mary Cummings, the Chief Financial Officer of one of Ron Howell's other companies, and Defendant Don Hale.

804. Defendant Montemurro kept the minutes of the call. He stated (excerpted below in gray):

Legacy Call

2pm EST

Dane, Mike, Caleb, Dan, Justin, Julie, Ron, Mary, Don

Friday Center Manager Meeting – announcement of sales promotion

Dan – Logo and Pantones – Legacy Medical Centers

Supplements (relabelled) – Dane – Inventory – Ron to contact Hoy (Dan) private label

Julie to send Ron pricing schedule on supplements

Ritchie Elkins

Conflict with Legacy Management, LLC (find Name)

Mary to update Shane

Promotion for the balance of December – offer 2 specials – no renewals, 90 day \$299 W, \$499 M – Same doc new staff new bigger and better management – notice and awareness, New sign ups 15 month for price of 12, (no Buys last 90 days) we were negotiating with a new management team

Significance of transition – message to staff is more opportunity, expansion, etc.

IT cohesiveness need to work together – Gus is inundated

Caleb sending e-mail list

Legacymedicalcenters.com

Mike develop punch list

Dan –

TV launch – Buying

Call center is done testing as early as the weekend – 38 stations – finishing out the communication – Gareth (landing pages and review sheet)

Need by mid next week to layout

Weight loss – potentially start the day after Christmas (cheap airtime)

Find a patient that lost weight (diet)

Creative development

Dane-

Dane frame work for the website

Gus purchase URL

Julie-

Payroll and staff –

New employee paperwork



Vendor transitions  
Non-compete documents  
Questions for Mary

Lifecycle test-

805. On December 6, 2012, Caleb Raines told employees that Defendant HRC Medical's IT staff was going to be administering the transition of the new Legacy e-mail accounts.

806. During this time, Caleb Raines also gathered consumer contact information from Defendant HRC Medical and saved a series of electronic files for Defendant Legacy's use.

807. On December 10, 2012, Defendant HRC Medical's accounting staff in Tennessee began re-routing incoming electronic processing money to Defendant Legacy.

808. On December 11, 2012, Danielle McDonald sent an e-mail to Greg Degnan at Mid South Business Furniture asking, "Can you change our information from HRC Medical to Legacy Medical Centers LLC? Same address but as of Dec first, that's our new name."

809. On December 11, 2012, Defendant Montemurro sent Dane Hale a draft form letter that all Defendant HRC Medical clinic doctors could send back to Defendant HRC Medical to document the doctors' switch to Legacy. The letter stated (excerpted below in gray):

Date: TBD (I propose the effective date of Legacy)

Dear HRC Medical centers, [sic] Inc.,

In light of the current legal issues and negative press HRC is facing I have made the conscious decision to ascertain a new firm to handle the management services of my practice(s) located at (center address).

Please find this letter as written notification that I will no longer require the management services of HRC Corporation, Inc. to be effective immediately.

Please forward any and all current and/or pursuant correspondence to Legacy Medical centers, LLC.

Thank you for your immediate attention to this matter.

Sincerely,

(Signature)

Dr. X

810. On December 12, 2012, Julie Boyett e-mailed Ron Howell and copied Defendant Don Hale with a payroll summary for Defendant Legacy and the total amount due for payroll at that time. Ms. Boyett told Ron Howell that she was wiring \$33,000 into his account and that he will need to fund the difference. Then, in the only known monetary transfer between Defendant HRC Medical and Defendant Legacy, *Defendant HRC Medical* wires \$33,000 into Defendant Legacy's Wells Fargo account. The transaction is memorialized in Defendant HRC Medical's accounting software "to cover payroll."

811. On December 13, 2012, Julie Boyett sent the following e-mail to Mary Cummings and Janet Brantley in which she attached handwritten notes of the location source of funds sent to Defendant Legacy's bank account (excerpted in gray below):

Attached is the statement with notes on what location they are . . . we have some issues to work out between myself, you and Janet and just let us know if today is a good time, might not be since I need to leave @ 2 or if we need to do tomorrow morning if you have time before you have to get your son. We can still continue our posting process and correct after we talk . . . so just let us know

- Deposits for Knoxville – should be HRC not Legacy (this has been changed – but you may see one more) . . .
- *Income beg Dec 1 that has already gone into HRC that should have been Legacy . . . how do you want to post that on each of our books – Looks like we'll have income on each books that belong to the other – just did not [sic]*



*how you want to handle financially with the transition of management from HRC to Legacy. . .*

- A R as we discussed this morning to transition and get set up – our goal to have good balances by Dec 31<sup>st</sup> and post by customer so Jan 1 we can start posting by receipts against those customer balances

Janet may have some more items to discuss that are more specific to her financial reporting, and I'll let her reply to us both any additional questions she may have to review with you so you can have an idea of what we need to talk about

If you want to send the statement again in the morning, I can note for you until your [sic] able to get the bank to set up access for us.

--  
Julie Boyett, Accountant  
HRC Medical Centers, Inc.  
405 Duke Drive  
Suite 240  
Franklin, TN 37067

615-550-5900 X 6043 (O)  
615-397-1834 (C)  
615-413-5163 (F)

812. Through the transition to Defendant Legacy, Julie Boyett sent out and collected new W-2 and 1099s from former employees of Defendant HRC Medical.

813. On December 20, 2012, the Time & Attendance Support Specialist at HRC's payroll processing company confirmed to Julie Boyett that the processing company had "loaded all of the employees into Legacy that had badge numbers in HRC."

814. After the transfer, Defendant Legacy's management functions continued to be operated on a day-to-day basis from Tennessee as had occurred with Defendant HRC Medical. Key Defendant HRC Medical employees continued to perform the tasks that they had previously done, but now for Defendant Legacy. These tasks included paying Defendant Legacy's bills including payroll, providing business forms, moving money in and out of Defendant Legacy's bank accounts,

collecting accounts receivable from joint venture partners, and generally keeping track of Defendant Legacy's liabilities and assets.

815. In fact, Defendant Legacy reported wages to the Tennessee Department of Labor in the fourth quarter of 2012 for Julie Boyett, Janet Brantley, Matthew Golden, Gedas Kutka, Danielle McDonald, Defendant Montemurro, Caleb Raines, Phil Samek, and Justin Smith—all former employees of Defendant HRC Medical.

816. These employees continued to perform these management tasks at Defendant HRC Medical's corporate office in Franklin, Tennessee, until the Receiver was appointed. After the Receiver was appointed, these employees continued to operate Defendant Legacy's management functions on a day-to-day basis from Tennessee through remote computer access.

817. In late December 2012, Defendant Legacy, with the help of former officers and employees of Defendant HRC Medical, took steps to contact former HRC Medical consumers.

818. On December 21, 2012, Caleb Raines sent Defendant Montemurro and Ron Howell a spreadsheet containing information about expired Defendant HRC Medical consumer contracts and in the text of the e-mail message, Mr. Raines referenced the information being given to "call center guys."

819. The following day, Defendant Montemurro sent an e-mail to Ron Howell and others asking them to review drafts of scripts that can be used for the "best possible potential of capturing new or lost business."

820. As of December 26, 2012, Defendant HRC Medical's joint venture partners mailed deposits to Julie Boyett in Tennessee to post to Defendant Legacy's bank account.

821. Assets belonging to Defendant HRC Medical continued to be transferred to Defendant Legacy even after the receivership order was entered on December 27, 2012.

822. Among the key non-monetary assets transferred to Defendant Legacy was a proprietary electronic record system ("ERS") built by Defendant HRC Medical and stored on servers purchased by Defendant HRC Medical that provided a fully-integrated platform to access consumer medical records, schedules, dosing regimens, advertising, business forms, and a forum for medical professionals.

823. *Following the issuance of the receivership order and after notice to Defendant Legacy's IT staff*, Defendant Legacy, through its Chief Executive Officer Ron Howell, instructed former members of Defendant HRC Medical's IT staff, then working for Defendant Legacy, to drive a server containing a back-up copy of the ERS from Tennessee to Virginia so that the ERS could be copied and used by Defendant Legacy.

824. Justin Smith, an employee in Defendant HRC Medical's IT department, had moved a back-up server purchased by Defendant HRC Medical that contained the ERS to his house in September 2012, after Caleb Raines was served with the State's subpoena.

825. On January 2, 2013, Justin Smith, Caleb Raines, and Matthew Golden transported the back-up server from Tennessee to Virginia, where it was installed at Defendant Legacy's office.

826. The back-up server and its electronic contents were not returned to the Receiver until February 2013, after Defendant Legacy had copied the ERS and all other information onto its own servers.

827. Defendants Don Hale and Dan Hale have, directly or indirectly, received compensation in an unknown amount for the transfers mentioned above of Defendant HRC Medical's assets to Defendant Legacy.

#### **SPECIFIC TRANSFERS: BIOLIFECYCLE**

828. After the Receiver took possession of the Knoxville clinic location on January 2, 2013, where Legacy's name was found on numerous business forms, and after staff at the Receiver's firm interviewed former Defendant HRC Medical employees, who were then working for Defendant Legacy in which the existence of Legacy was brought up, Ron Howell formed Defendant BioLifecycle Medical Centers, LLC, on January 28, 2013.

829. Defendant BioLifecycle is Defendant Legacy with a different name and was created to hinder, delay, or defraud the State's claims against Defendant HRC Medical and Defendant Legacy.

830. Defendant BioLifecycle has the same principal address, the same sole member, Ron Howell, and the same registered agent as Defendant Legacy.

831. Among other things, Defendant BioLifecycle employs the same individuals that Defendant HRC Medical and Defendant Legacy did.

832. For example, Holly Lusby, a former employee of Defendant HRC Medical, lists her employer as HRC Medical from May 2011, to January 2013, and "Bio Life Cycle Medical Center" from January 2013, to the present on her LinkedIn account.

833. In addition, Defendant BioLifecycle has clinics located at many of the same addresses as Defendant HRC Medical and Defendant Legacy, uses the same BHRT treatment and protocols that Defendant HRC Medical and Defendant Legacy did, uses Defendant HRC Medical's trademark

“Amor Vie,” and uses Defendant HRC Medical’s proprietary ERS that was taken by Defendant Legacy on January 2, 2013.

834. Using Defendant HRC Medical’s proprietary ERS, former Defendant HRC Medical employees, including those from the Knoxville clinic like Samantha Lansford and Genevieve Trent, have contacted former Defendant HRC Medical’s BHRT consumers urging them to return to Defendant BioLifecycle to complete their BHRT treatment.

835. During conversations involving former BHRT consumers of Defendant HRC Medical’s Knoxville clinic, these former Defendant HRC Medical employees have instructed consumers to visit the clinic located at 311 South Weisgarber in Knoxville.

836. In some conversations, these former Defendant HRC Medical employees used the names Legacy and BioLifecycle interchangeably.

837. Defendant HRC Medical has received no payment from Defendant BioLifecycle for the transfer of these assets.

#### **SPECIFIC TRANSFERS: HALE FAMILY**

838. Following the filing of the State’s lawsuit on October 8, 2012, Defendants Don Hale, Dixie Hale, Dan Hale, and the Cardinal Revocable Trust orchestrated a series of asset transfers in an effort to hinder, delay, or defraud the State’s contingent claim and that were timed slightly before hearings on the State’s temporary injunction and receivership motions.

#### **\$918,000 Transfer on October 15, 2012**

839. On October 9th, 2012, one day after the State filed suit, Defendant HRC Medical’s Julie Boyett moved \$525,000 from Defendant HRC Medical’s Money Market SunTrust bank

account to Defendant HRC Medical's Bill Pay bank account at SunTrust and then wired \$525,000 into Defendant HRC Medical's Operating Account at Fifth Third Bank.

840. To fund the initial transfer into Defendant HRC Medical's Money Market SunTrust bank account in the first place, Defendant HRC Medical cycled money through the accounts it controlled beginning on October 9, 2012. \$400,000 was wired from a Fifth Third bank account in the name of HRC Management to Defendant HRC Medical's Money Market bank account at SunTrust. \$75,000 originated in Defendant HRC Medical's SunTrust Operating Account and then was transferred to Defendant HRC Medical's Money Market SunTrust account. \$50,427.99 originated in a SunTrust bank account in the name of Defendant HRC Management Midwest and then was sent to Defendant HRC Medical's Money Market bank account at SunTrust Bank.

841. On October 15, 2012, *before the Court had continued the temporary injunction hearing which was then scheduled for October 19, 2012*, Defendant HRC Medical caused an additional \$565,000 to be transferred from a Fifth Third bank account in the name of Defendant HRC Holdings, which was used in practice as a cash account belonging to Defendant HRC Medical. These two major transfers were used to fund the transfers of \$459,000 referenced below.

842. On October 15, 2012, Defendant Dana Helton, in her capacity as Trustee for the Cardinal Revocable Trust, signed a corporate resolution and corporate minutes for Defendant HRC Medical authorizing a dividend in the amount of \$392,500 payable to each of Defendant HRC Medical's shareholders of record as on December 31, 2011, namely Defendants Dan Hale and Don Hale.

843. On October 15, 2012, Defendant HRC Medical sent a wire transfer of \$459,000 *payable to Defendant Bonnie Hale*. The same day Defendant Dixie Hale had a cashier's check

issued for \$459,000 from a Defendant HRC Medical Fifth Third bank account in the name of Defendant Don Hale, which she deposited into another Fifth Third bank account held jointly by herself and Defendant Don Hale.

844. While the payments of \$459,000 were justified as payment of the personal taxes Defendants Don Hale and Dan Hale would incur as a result of the "pass through" tax liability from Defendant HRC Medical's "S Corporation" election for Defendant HRC Medical's late-filed 2011 return, it is unknown whether money was paid from these transfers to the Internal Revenue Service.

845. Assuming that taxes were paid, the actual transfer made was much higher than the maximum amount that each stood to incur as a result of the "S" corporation election and collectively was higher than the maximum amount that Defendant HRC Medical would have incurred in taxes had it filed as a "C" corporation.

846. The transaction differed in many material ways from a transaction to reimburse Defendants Don Hale and Dan Hale for the pass through tax liability they would incur as a result of Defendant HRC Medical filing as a "S" corporation.

847. First, Defendant Dan Hale's payment was wired to Defendant Bonnie Hale, who never worked at Defendant HRC Medical, not to Defendant Dan Hale. Second, Defendant Don Hale's payment was placed by Defendant Dixie Hale into a joint bank account for Defendants Don and Dixie Hale. Third, the payments together included at least \$194,000 more than what Defendants Don Hale and Dan Hale owed as a result of the maximum possible pass through tax liability they would stand to incur from the "S" corporation election for Defendant HRC Medical. Fourth, Defendants Don Hale and Dan Hale had already received \$134,800 and \$135,200, respectively, to pay estimated personal taxes, which would act as credits against their final tax liabilities. Fifth, the

tax payments had not been made previously. Sixth, the total transfer of \$918,000 to Defendant Don Hale and Dan Hale on October 15, 2012, was \$148,000 more than the maximum amount of tax that Defendant HRC Medical would have incurred had it filed as a "C" corporation and not as an "S" corporation.

**\$60,000 Transfer on November 14, 2012**

848. On November 14, 2012, *two days before the scheduled statutory temporary injunction and receivership hearing*, Defendant HRC Medical sent a wire transfer of \$30,000 payable to Defendant Bonnie Hale and transferred \$30,000 to a bank account jointly held by Defendants Dixie and Don Hale.

849. The transfers were justified to pay for unspecified tax penalties that Defendants Don Hale and Dan Hale would incur as a result of their late-filed taxes.

**\$980,000 Dividend to Wipe Away Notes Receivable from Officers  
on November 14, 2012**

850. On November 14, 2012, *two days before the scheduled statutory temporary injunction and receivership hearing*, Defendant HRC Medical recorded \$490,000 dividends to both Defendants Don Hale and Defendant Cardinal Revocable Trust on its accounting records, for a total of \$980,000.

851. The dividends did not result in a monetary distribution, but resulted in the notes receivable from Defendant HRC Medical's officers, including the remaining payments Defendants Don Hale and Dixie Hale owed to Defendant HRC Medical for the funding it provided for their \$1,465,000 Brentwood estate, which was \$394,548.10 in October 2012, to be converted to a *notes payable* to Defendant HRC Medical's officers, including Defendants Don Hale and Dan Hale of \$525,451.90 by the end of November 2012.



852. The recording of these dividends occurred on Defendant HRC Medical's QuickBooks database, the only known place where the current balance on the notes receivable was known to have been kept.

853. These dividends caused Defendant HRC Medical's total equity to become negative on its balance sheet.

#### **\$35,000 Transfer on December 5, 2012**

854. On December 5, 2012, *one day before the scheduled continuation of the statutory temporary injunction and receivership hearing*, Defendant HRC Medical wired \$35,000 payable to Defendant Bonnie Hale.

855. In the "memo" section on Defendant HRC Medical's QuickBooks accounting database, Defendant HRC Medical indicated "Ok to pay wire - per Don. Dr. Hale needed cash."

#### **Transfer of Percentage of Monthly Gross Sales Away from Defendant HRC Medical**

856. Following the filing of the State's enforcement action, checks for the percentage of monthly gross sales from joint venture partners, which were due to Defendant HRC Medical, stopped being paid to Defendant HRC Medical and started being paid to Defendant Dixie Hale, Southern Belle Consulting, and MadMac Consulting.

857. Prior to the filing of the State's lawsuit, joint venture partners regularly issued checks for the percentage of monthly gross sales made payable to "HRC Medical," "HRC Medical Centers," or "HRC Medical Centers - Nashville," or through similar payee names.

858. Defendant HRC Medical's own records show that these monthly payments were made payable to HRC Medical. As an example, Julie Boyett sent Dixie Hale an e-mail on November 14, 2012, which stated:

I will update this for you tomorrow .. I need you to tell me if I'm supposed to keep the ones for you separate .. I will just include and highlight a diff color

The e-mail attached a spreadsheet entitled "Admin Service Fee Recon" that listed the monthly payments made by joint venture partners to Defendant HRC Medical.

859. After the filing of the State's enforcement action, the monthly percentage checks begin being made payable to others besides Defendant HRC Medical. For example, a check from Carolina HHC of Charleston was sent to Defendant HRC Medical's corporate office made payable to "Southern Bell [sic] Consultants" in the amount of \$9,468.01. An attachment to the check highlights the "Total" figure of \$118,350.14 and contains the handwritten notations "8%" and "\$9468.01." The 8% figure is the same figure that is referenced in the minutes Defendant Montemurro recorded for the August 4, 2012, meeting.

860. "Southern Belle Consulting, LLC," was a doing business as name that Defendants Don Hale and Dixie Hale developed to conceal payments to themselves. Southern Belle Consulting, LLC, is not a formed limited liability company anywhere, has not filed any wage reports in Tennessee, and lists Defendant Dixie Hale as its sole member on its employer identification number (EIN) application return from the Internal Revenue Service.

861. On a signature card for Southern Belle Consulting, LLC's bank account at Fifth Third, the address is listed as 405 Duke Drive, Suite 240, Franklin, TN 37067 and the signatories to access the Tennessee-based account are listed as Defendant Dixie Hale, Julie Boyett, and Dane Hale. Defendant Don Hale's name is printed below, but has been crossed out.

862. Elsewhere, these monthly percentage checks were made directly payable to Defendant Dixie Hale. For example, on December 12, 2012, Julie Boyett sent Defendant Dixie Hale three

checks made payable in her name from HRC, LLC, HRC of Columbus, LLC, and Nova Health Technology in the amounts of \$9,555.10, \$14,997.00, and \$4,024.98 respectively. The e-mail states, "You will have to deposit these first.. since they are payable to you .. they put adjust your cashiers [sic] check for deposit You will need to notify locations to make payable to MadMac Consulting LLC."

863. MadMac Consulting, like Southern Belle Consulting, was a doing business as name that was set up by Defendants Don Hale and Dixie Hale to conceal payments to themselves. MadMac Consulting is not a formed limited liability company anywhere, has not filed any wage reports in Tennessee, and lists Defendant Montemurro as its sole member on its employer identification number (EIN) application return from the Internal Revenue Service.

864. On a signature card for MadMac Consulting, LLC's bank account at Fifth Third, the address is listed as 405 Duke Drive, Suite 240, Franklin, TN 37067 and the signatories to access the Tennessee-based account are listed as Julie Boyett and Defendant Montemurro.

865. None of HRC Medical's bank account records, QuickBooks entries, or other records show that Defendant HRC Medical was reimbursed or otherwise paid by Southern Belle Consulting, MadMac Consulting, Defendant Dixie Hale, or any other person for monthly percentage payments that were received from joint venture partners.

866. The exact amount of these checks due to Defendant HRC Medical that were redirected to Defendants Don Hale and Dixie Hale through direct payments to Defendant Dixie Hale, or indirectly to other entities or individuals, is not known.

### **Transfer of Other Payments Away from Defendant HRC Medical**

867. In addition to the monthly percentage payments, Defendant HRC Medical at the direction of Defendants Don Hale and Dixie Hale redirected other payments due to Defendant HRC Medical to themselves following the filing of the State's lawsuit.

868. An example of this can be found in the payments for Salesforce, a cloud-based customer relations management and promotional software product, which were owed to Defendant HRC Medical.

869. Defendant HRC Medical sent invoices instructing Defendant HRC Medical's joint venture partners to pay for Salesforce from July 1, 2012, through November 11, 2012.

870. Further, the original Salesforce expenses were paid by Defendant HRC Medical for all of the joint venture partners. For example, according to HRC Medical's bank records, it paid \$21,375 to Salesforce on July 27, 2012, and October 1, 2012, out of its SunTrust BillPay account, for a total of \$42,750.

871. Documents in Defendant HRC Medical's records indicate that the joint venture partners were supposed to reimburse Defendant HRC Medical for payments made by Defendant HRC Medical to Salesforce. As an example, on December 4, 2012, Janet Brantley sent Dane Hale and Caleb Raines an e-mail, which stated (shown in gray below):

Hello Dane and Caleb,

Attached is the aging for Salesforce as of November 30.

Do I send invoices for December 1? Will we bill from DC Consulting, Legacy or HRC?

Thank you for your help with this, Janet

Janet E. Brantley

872. The spreadsheet that is attached is entitled "HRC Medical Centers, Inc. A/R Aging Summary – Salesforce As of November 30, 2012," and lists accounts receivable owed to Defendant HRC Medical for Salesforce in the amount of \$35,750 (30 days delinquent), \$35,750 (31-60 delinquent), \$35,750 (61-90 days delinquent), and \$61,750 (90 days or more delinquent).

873. Elsewhere, another document entitled "HRC MEDICAL, INC – ACCOUNTS RECEIVABLE AS OF DECEMBER 11, 2012," lists \$120,250.00 next to "Unpaid Salesforce Invoices" and \$48,750.00 next to "Midwest – Salesforce."

874. Before the filing of the State's lawsuit on October 8, 2012, checks for \$3,250 that reference Salesforce in the memo line were sent from joint venture partners and made payable to Defendant HRC Medical.

875. After the filing of the State's lawsuit, the monthly checks for \$3,250 began being paid to other parties. Documents obtained from Defendant HRC Medical's e-mail system show that two checks for \$3,250 each dated November 14, 2012, and November 15, 2012, were made payable to "Southern Bell [sic] Consultants." The check dated November 14, 2012, is attached to an invoice that states "CRM – Salesforce – 10/1 – 10/31/12." The check dated November 15, 2012, contains the memo "Nov. (PIF)" and includes an invoice stating "CRM – Salesforce – 11/1-11/30/12."

876. None of Defendant HRC Medical's bank records show that Defendant HRC Medical was paid or reimbursed by Southern Belle Consulting, Defendant Dixie Hale, or by any other entity for Salesforce payments that were made to Southern Belle Consulting or other entities.

877. The exact amount of these checks due to Defendant HRC Medical for SalesForce that were redirected to Defendants Don Hale and Dixie Hale through direct payments or indirectly to other entities or individuals is not known.

### **Transfers of Compounding Pharmacy Checks**

878. Before the State filed its lawsuit, Defendant HRC Medical received a set amount from each hormone pellet purchased by any clinic under an exclusive supplier agreement that Defendant HRC Medical through Defendant Don Hale entered into with MasterPharm until the year 2020.

879. Before the State filed its lawsuit, Defendant HRC Medical also received a set amount of money from DCA Pharmacy, which supplied the oral progesterone tablet part of the BHRT therapy for women, that was based on the amount of progesterone tablets purchased by any clinic.

880. Checks from MasterPharm and DCA Pharmacy were usually sent to Defendants Don and Dixie Hale's estate in Brentwood, rather than to Defendant HRC Medical's corporate office in Franklin.

881. Before the filing of the State's lawsuit, these checks were usually deposited in Defendant HRC Medical's bank accounts at SunTrust and later Fifth Third that were named "Pellet/Payroll."

882. Defendant HRC Medical did not receive a payment from MasterPharm for September, October, November, or December 2012. Defendant HRC Medical has not received a payment from MasterPharm as of the filing of this Amended Complaint.

883. DCA Pharmacy did not pay Defendant HRC Medical for May, June, August, September, October, November, or December 2012. Defendant HRC Medical has not received a payment from MasterPharm as of the filing of this Amended Complaint.

884. Defendants Don Hale and Dixie Hale have redirected checks from MasterPharm and DCA Pharmacy that were previously paid by agreement to Defendant HRC Medical away from Defendant HRC Medical.

#### **PAYMENTS TO DEFENDANT DAN HALE**

885. Defendant HRC Medical continued to pay Defendant Dan Hale for his work on a monthly basis after the time he ceased working at the Knoxville clinic location as Defendant HRC Medical's Medical Director.

886. Defendant HRC Medical paid Defendant Dan Hale \$26,912.50 on August 31, 2012, October 1, 2012, November 2, 2012, and November 30, 2012, for a total of \$107,650. In each pay period, \$9,300.00 was deducted for tax withholdings.

#### **OTHER ALLEGATIONS SHOWING DISSIPATION AND CONCEALMENT OF ASSETS**

887. Defendants Don Hale and Dixie Hale have incurred and concealed other sizeable expenditures after Defendant HRC Medical's transition to Defendant Legacy. In an e-mail sent to Dane Hale's HRC Medical account by Defendant Don Hale on Christmas Day 2012, entitled "video of mom," Defendant Dixie Hale can be seen walking into a garage towards a black luxury car in a robe. In the video, Defendant Dixie Hale states, "How did we do this?" Defendant Don Hale responds, "We did it." Defendant Dixie Hale then asks, "Do I have a car payment?" Defendant Don Hale then states, "No," to which Defendant Dixie Hale responds, "Wonderful, I love it!"

888. Defendants Don Hale and Dixie Hale have attempted to conceal the purchase of the car. As of March 22, 2013, there have been no new vehicles registered by the following individuals and entities since October 1, 2012: Don Hale, Dixie Hale, Dan Hale, Bonnie Hale, Dana Helton,

Mike Montemurro, HRC Medical Centers, Inc., HRC Medical Centers Holdings, LLC, HRC Management, LLC, HRC Management Midwest, LLC, Midwest Restorative Health, LLC, Southern Belle Consulting, LLC, MadMac Consulting, LLC, or Legacy Medical Centers, LLC.

889. Each of the transfers or obligations that are referenced above in paragraphs 649 to 888 were made or incurred by the debtor with actual intent to hinder, delay, or defraud any creditor of the debtor, including the State.

890. Each of the transfers or obligations that are referenced above in paragraphs 649 to 888 were made or incurred without receiving a reasonably equivalent value in exchange for the transfer or obligation, and the debtor was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction.

891. Each of the transfers or obligations that are referenced above in paragraphs 649 to 888 were made or incurred without receiving a reasonably equivalent value in exchange when the debtor intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

892. Each of the transfers or obligations that are referenced above in paragraphs 649 to 888 were made or incurred by the debtor without receiving a reasonably equivalent value in exchange at a time when the debtor was insolvent or became insolvent as a result of the transfer or obligation.

893. Each of the transferees or obligees of the transfers or obligations that are referenced above in paragraphs 649 to 888 participated in the transfer or obligation in bad faith, with knowledge of the State's investigation or lawsuit, to frustrate a creditor of Defendant HRC Medical, Defendant HRC Management Midwest, or Defendant Dan Hale, including the State, with knowledge of



Defendant HRC Medical and Defendant Management Midwest's insolvency, or with knowledge that they were not legally entitled to the transfer or obligation.

### **VIOLATIONS OF THE LAW**

#### **COUNT I: TENNESSEE CONSUMER PROTECTION ACT Tenn. Code Ann. § 47-18-104(a) and (b)**

894. Plaintiff, the State of Tennessee, incorporates by reference and re-alleges each and every allegation contained in paragraphs 1-640 of this Amended Complaint.

895. Defendants' offering of their BHRT, as alleged herein, constitutes "trade," "commerce" and/or a "consumer transaction" as defined in Tenn. Code Ann. § 47-18-103 (19) and as those terms have been interpreted by the Tennessee Supreme Court in *Fayne v. Vincent*, 301 S.W.3d 162, 175 (Tenn. 2009) and elsewhere.

896. By expressly claiming in advertisements for Defendant HRC Medical's BHRT that it is unsafe not to replace one's hormones or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

897. By expressly claiming that Defendant HRC Medical's BHRT is safe, completely safe, absolutely safe, or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical, Defendant Dan Hale, and Defendant Don Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

898. By expressly claiming that Defendant HRC Medical's BHRT has no cancer risk or protects against or prevents cancer or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

899. By expressly claiming that Defendant HRC Medical's BHRT has no side effects, limited side effects, or minimal side effects, or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

900. By expressly claiming that Defendant HRC Medical's BHRT does not have the same side effects or risks found in traditional hormone replacement therapy or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Management Midwest, Defendant HRC Medical, Defendant Dan Hale, and Defendant Don Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(8), (b)(22), and (b)(27) in each instance.

901. By expressly claiming that Defendant HRC Medical's BHRT can be used to prevent diseases or conditions associated with aging or to increase a recipient's lifespan or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical, Defendant HRC Management Midwest and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

902. By expressly claiming that Defendant HRC Medical's BHRT provides cardiovascular benefits, without qualification, or can be used to treat, prevent, or cure cardiovascular problems when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical, Defendant HRC Management Midwest, and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

903. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure high cholesterol levels or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

904. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure Alzheimer's Disease or memory loss generally or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical, Defendant HRC Management Midwest, and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

905. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure diabetes or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

906. By expressly claiming, that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure depression or functions as a safer, more effective, or equivalent alternative to prescription anti-depressants or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical, Defendant HRC Management Midwest, and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(8), (b)(22), and (b)(27) in each instance.

907. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure attention deficit hyperactivity disorder or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical has violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

908. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure fibromyalgia or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

909. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure arthritis or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical has violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

910. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure restless leg syndrome or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical, Defendant HRC Management Midwest, and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

911. By expressly claiming that Defendant HRC Medical's BHRT can be used to treat, prevent, or cure head hair loss or thinning hair, increases head hair thickness or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical and Defendant Dan Hale, and Defendant Don Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

912. By expressly claiming that Defendant HRC Medical's BHRT causes weight loss or improves weight control through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC Medical, Defendant HRC Management Midwest, Defendant Don Hale, and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

913. By expressly claiming that Defendant HRC Medical's BHRT replaces a user's hormones to the levels he or she had in his or her twenties or thirties or in the individual's prime or through words or phrases of similar import, when this is not the case or when this statement was made without adequate support to substantiate such claim at the time made, Defendant HRC

Medical, Defendant HRC Management Midwest, Defendant Don Hale, and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(9), (b)(22), and (b)(27) in each instance.

914. By using fabricated quotes from purported studies about the purported benefits, efficacy, risks, and side effects of Defendant HRC Medical's BHRT and by impliedly representing that the quoted purported studies involved non-synthetic hormones, Defendant HRC Medical has violated Tenn. Code Ann. § 47-18-104(a), (b)(3), (b)(5), (b)(22), and (b)(27) in each instance.

915. By claiming that Defendant HRC Medical's BHRT is supported by more studies than it actually is, Defendant HRC Medical and Defendant Dan Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

916. By claiming that Defendant HRC Medical's compounding pharmacy is FDA-approved, has high quality control standards, or produces pellets that are carefully formulated to have a timed release mechanism that optimizes hormone levels, or through words or phrases of similar import, when this is not the case, Defendant HRC Medical and Defendant HRC Management Midwest have violated Tenn. Code Ann. § 47-18-104(a), (b)(3), (b)(5), (b)(22), and (b)(27) in each instance.

917. By claiming that Defendant Dan Hale and other medical staff at Defendant HRC Medical had more expertise with hormones and hormone replacement therapy than they actually did, Defendant Dan Hale, Defendant Don Hale, Defendant HRC Management Midwest, and Defendant HRC Medical have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

918. By claiming that Defendant HRC Medical has more satisfied consumers than it actually does, Defendant HRC Medical, Defendant HRC Management Midwest, and Defendant Don Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(5), (b)(22), and (b)(27) in each instance.

919. By advertising its BHRT or components of its BHRT without clearly and conspicuously disclosing that Defendant HRC Medical's BHRT increases a user's risk or possible risk of developing serious side effects and health conditions such as endometrial cancer (in women), breast cancer (in women), prostate cancer (men), tissue edema, changes in lipids, blood clots, stroke, heart attack, other cardiovascular problems, hair loss, clitoral swelling (in women), voice changes, testicular atrophy (in men), infertility, female-looking breasts (in men), an inability to produce testosterone naturally (in men), severe acne, hair growth in undesirable areas such as the face, chest, buttocks, arms, and stomach (in women), menstrual or menstrual-like bleeding (in menopausal women), severe acne, severe headaches, and psychological changes such as anger or aggressive behavior, or that the therapy raises testosterone blood levels to male levels in women and significantly above the normal male range in men, Defendant HRC Medical, Defendant HRC Management Midwest, Defendant Dan Hale, and Defendant Don Hale have violated Tenn. Code Ann. § 47-18-104(a) and (b)(27), in each instance where Defendant HRC Medical's BHRT was advertised and the clear and conspicuous disclosures were not made.

920. In the limited instances in which side effects of Defendant HRC Medical's BHRT were referenced but did not convey the extent of the side effects accurately or completely, Defendant HRC Management Midwest, Defendant HRC Medical, Defendant Dan Hale, and Defendant Don Hale have violated Tenn. Code Ann. § 47-18-104(a) and (b)(27) in each instance.

921. By using principals, family members, employees, consumers and others with material connections to Defendant HRC Medical, Defendant Don Hale, or Defendant Dan Hale in consumer testimonials in advertisements for Defendant HRC Medical's BHRT without clearly and conspicuously disclosing the ownership interest, family relationship, employment relationship, monetary relationship, compensation, discount on current or future offerings, or other material connections to Defendant HRC Medical or its principals, Defendant HRC Medical, and Defendant Don Hale have violated Tenn. Code Ann. § 47-18-104(a), (b)(2), (b)(3), (b)(22), and (b)(27) in each instance.

922. By using individuals in consumer testimonials who experienced side effects or continuing to run advertisements featuring testimonials from consumers who experienced side effects without clearly and conspicuously disclosing the side effects the consumers experienced, Defendant HRC Medical has violated Tenn. Code Ann. § 47-18-104(a), (b)(22), and (b)(27) in each instance.

923. By representing or implying in consumer testimonials that a consumer took Defendant HRC Medical's BHRT longer than he or she actually did, Defendant HRC Medical has violated Tenn. Code Ann. § 47-18-104(a), (b)(22), and (b)(27).

924. By accepting an advance payment from consumers through cash or financing and using a no refund provision in its contractual documents for Defendant HRC Medical's BHRT for future medical offerings, without having consumers meet with a medical professional first, without knowing whether Defendant HRC Medical's BHRT will be appropriate, or without knowing how the consumer will respond to the BHRT initially, Defendant HRC Medical and Defendant HRC



Management Midwest have violated Tenn. Code Ann. § 47-18-104(a) with each executed contract containing a no refund provision.

925. By actively participating in, approving, directing, or otherwise controlling the acts or practices referenced in paragraphs 1 to 640 on behalf of Defendant HRC Medical Centers, Inc., Defendant Don Hale is individually liable for those acts or practices including those made in bad faith, as they apply to the TCPA violations asserted in paragraphs 889 to 924.

926. By actively participating, approving, directing, or otherwise controlling the acts or practices referenced in paragraphs 1 to 640 on behalf of Defendant HRC Medical Centers, Inc., Defendant Dan Hale is individually liable for those acts or practices, including those made in bad faith, as they apply to the TCPA violations asserted in paragraphs 889 to 924.

#### **COUNT II: JUDICIAL CORPORATE DISSOLUTION**

927. Plaintiff, the State of Tennessee, incorporates by reference and re-alleges each and every allegation contained in paragraphs 1-888 of this Amended Complaint.

928. Defendant HRC Medical has carried on, conducted, or transacted its business or affairs in a persistently fraudulent or illegal manner and may be dissolved by judicial decree pursuant to Tenn. Code Ann. § 48-24-304.

#### **COUNT III: UNIFORM FRAUDULENT TRANSFER ACT**

929. Plaintiff, the State of Tennessee, incorporates by reference and re-alleges each and every allegation contained in paragraphs 1-888 of this Amended Complaint.

930. As outlined above, by transferring the assets of Defendant HRC Medical's Nashville clinic with knowledge of the State's investigation and in anticipation of the State's lawsuit, Defendant HRC Medical, as debtor, through Defendants Don Hale, Dan Hale, and the Cardinal

Revocable Trust, and Defendant Bella Vita, as a bad-faith transferee with knowledge of the State's investigation and in anticipation of the State's lawsuit, made the transfers with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

931. As outlined above, by transferring the assets of Defendant HRC Medical's Nashville clinic without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, and Defendant Bella Vita, as a bad-faith transferee with full knowledge of the State's investigation, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

932. As outlined above, by transferring the assets of Defendant HRC Medical's Nashville clinic without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was engaged in or was about to engage in a business or transaction for which the remaining assets of Defendant HRC Medical were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, and Defendant Bella Vita, as a bad-faith transferee with full knowledge of the State's investigation, made the transfer in violation of Tenn. Code Ann. § 66-3-305(a)(2)(A).

933. As outlined above, by transferring the assets of Defendant HRC Medical's Nashville clinic without receiving reasonably equivalent value in exchange while Defendant HRC Medical intended to incur or believed or reasonably should have believed that Defendant HRC Medical would incur, debts beyond Defendant HRC Medical's ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, and Defendant

Bella Vita, as a bad-faith transferee with full knowledge of the State's investigation, made the transfer in violation of Tenn. Code Ann. § 66-3-305(a)(2)(B).

934. As outlined above, by transferring at least \$66,799.62 to Defendant Bella Vita with knowledge of the State's investigation, in anticipation of the State's lawsuit, and following the filing of the State's lawsuit, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bella Vita, as a bad-faith transferee with knowledge of the State's investigation or filing the State's lawsuit, made the transfers with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

935. As outlined above, by transferring at least \$66,799.62 to Defendant Bella Vita with knowledge of the State's investigation, in anticipation of the State's lawsuit, or following the filing of the State's lawsuit, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bella Vita, as a bad-faith transferee with full knowledge of the State's investigation, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

936. As outlined above, by transferring at least \$66,799.62 to Defendant Bella Vita with knowledge of the State's investigation, in anticipation of the State's lawsuit, or following the filing of the State's lawsuit without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was engaged in or was about to engage in a business or transaction for which the remaining assets of Defendant HRC Medical were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bella Vita, as a bad-faith transferee with full

knowledge of the State's investigation, made the transfer in violation of Tenn. Code Ann. § 66-3-305(a)(2)(A).

937. As outlined above, by transferring at least \$66,799.62 to Defendant Bella Vita with knowledge of the State's investigation, in anticipation of the State's lawsuit, or following the filing of the State's lawsuit without receiving reasonably equivalent value in exchange while Defendant HRC Medical intended to incur or believed or reasonably should have believed that Defendant HRC Medical would incur, debts beyond Defendant HRC Medical's ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bella Vita, as a bad-faith transferee with full knowledge of the State's investigation, made the transfer in violation of Tenn. Code Ann. § 66-3-305(a)(2)(B).

938. As outlined above, by transferring the assets of Defendant HRC Management Midwest, including its Memphis clinic after the filing of the State's lawsuit to Defendant Midwest Restorative, Defendant HRC Management Midwest, through Defendants Don Hale, HRC Medical, and Defendant HRC Medical's extension Defendant HRC Holdings, as debtor, and Defendant Midwest Restorative as a bad faith transferee with full knowledge of the State's filed lawsuit and entered Temporary Restraining Order, made the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Management Midwest, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

939. As outlined above, by transferring the assets of Defendant HRC Management Midwest to an insider without receiving reasonably equivalent value in exchange at a time when Defendant HRC Management Midwest was insolvent or became insolvent as a result of the transfer, Defendant HRC Management Midwest, through Defendant Don Hale, Defendant HRC Medical, and

Defendant HRC Medical's extension Defendant HRC Holdings, as debtor, and Defendant Midwest Restorative, as a bad-faith transferee with full knowledge of the State's filed enforcement action, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

940. As outlined above, by transferring the assets of Defendant HRC Management Midwest to Defendant Midwest Restorative without receiving a reasonably equivalent value in exchange while Defendant HRC Management Midwest was about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Management Midwest, through Defendant Don Hale, Defendant HRC Medical, and Defendant HRC Medical's extension Defendant HRC Holdings, as debtor, and Defendant Midwest Restorative, as a bad-faith transferee with full knowledge of the State's filed enforcement action, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

941. As outlined above, by transferring the assets of Defendant HRC Management Midwest to Defendant Midwest Restorative without receiving reasonably equivalent value in exchange while Defendant HRC Management Midwest intended to incur, or believed or reasonably should have believed that Defendant HRC Management Midwest would incur debts beyond its ability to pay as they became due, Defendant HRC Management Midwest, as debtor, and Defendant Midwest Restorative, as a bad-faith transferee with full knowledge of the State's filed enforcement action, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

942. As outlined above, by transferring, in effect, all of the assets of Defendant HRC Medical's wholly owned clinics following the filing of the State's lawsuit, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant Montemurro, as debtor, and Defendants Legacy and BioLifecycle, as a bad-faith transferees with

knowledge of the State's lawsuit, made the transfers with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

943. As outlined above, by transferring, in effect, all of the assets of Defendant HRC Medical's wholly owned clinics following the filing of the State's lawsuit without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant Montemurro, as debtor, and Defendants Legacy and BioLifecycle, as bad-faith transferees with full knowledge of the State's filed enforcement action, made the transfers in violation of Tenn. Code Ann. § 66-3-306(a).

944. As outlined above, by transferring, in effect, all of the assets of Defendant HRC Medical's wholly owned clinics following the filing of the State's lawsuit without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was engaged in or was about to engage in a business or transaction for which the remaining assets of Defendant HRC Medical were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant Montemurro, as debtor, and Defendants Legacy and BioLifecycle, as bad-faith transferees with full knowledge of the State's filed enforcement action, made the transfers in violation of Tenn. Code Ann. § 66-3-305(a)(2)(A).

945. As outlined above, by transferring, in effect, all of the assets of Defendant HRC Medical's wholly-owned clinics without receiving reasonably equivalent value in exchange while Defendant HRC Medical intended to incur or believed or reasonably should have believed that

Defendant HRC Medical would incur debts beyond Defendant HRC Medical's ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant Montemurro, as debtor, and Defendants Legacy and BioLifecycle, as bad-faith transferees with knowledge of the State's enforcement action, made the transfers in violation of Tenn. Code Ann. § 66-3-305(a)(2)(B).

946. As outlined above, by transferring at least \$33,000 to Defendant Legacy following the filing of the State's lawsuit, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Legacy and BioLifecycle, as a bad-faith transferees with knowledge of the State's enforcement action, made the transfers with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

947. As outlined above, by transferring at least \$33,000 to Defendant Legacy following the filing of the State's lawsuit Defendant HRC Medical, through Defendants Don Hale, Dan Hale, Dixie Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Legacy and BioLifecycle, as a bad-faith transferees with knowledge of the State's enforcement action, made the transfers in violation of Tenn. Code Ann. § 66-3-306(a).

948. As outlined above, by transferring at least \$33,000 to Defendant Legacy following the filing of the State's lawsuit Defendant HRC Medical without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was engaged in or was about to engage in a business or transaction for which the remaining assets of Defendant HRC Medical were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, Dixie Hale, and the Cardinal Revocable Trust, as debtor, and

Defendants Legacy and BioLifecycle, as a bad-faith transferees with knowledge of the State's enforcement action, made the transfers in violation of Tenn. Code Ann. § 66-3-305(a)(2)(A).

949. As outlined above, by transferring at least \$33,000 to Defendant Legacy following the filing of the State's lawsuit without receiving reasonably equivalent value in exchange while Defendant HRC Medical intended to incur or believed or reasonably should have believed that Defendant HRC Medical would incur, debts beyond Defendant HRC Medical's ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, Dixie Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Legacy and BioLifecycle, as a bad-faith transferees with knowledge of the State's enforcement action, made the transfers in violation of Tenn. Code Ann. § 66-3-305(a)(2)(B).

950. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Dan Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant HRC Medical's extensions, Defendant HRC Holdings and Defendant HRC Management, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, made the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

951. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Dan Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or



became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant HRC Medical's extensions, Defendant HRC Holdings and Defendant HRC Management, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

952. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Dan Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant HRC Medical's extensions, Defendant HRC Holdings and Defendant HRC Management, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

953. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Dan Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant HRC Medical's extensions Defendant HRC Holdings and Defendant HRC Management, as debtor, and

Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

954. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Don Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, Dixie Hale, the Cardinal Revocable Trust, and Defendant HRC Medical's extensions, Defendant HRC Holdings and Defendant HRC Management, as debtor, and Defendants Don Hale and Dixie Hale as bad faith transferees, made the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

955. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Don Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, Cardinal Revocable Trust, and Defendant HRC Medical's extensions, Defendant HRC Holdings and Defendant HRC Management, as debtor, and Defendants Dixie Hale and Don Hale as bad faith transferees, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

956. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Don Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election while Defendant

HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant HRC Medical's extensions, Defendant HRC Holdings and Defendant HRC Management, as debtor, and Defendants Don Hale and Dixie Hale as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

957. As outlined above, by transferring sums after the filing of the State's enforcement action beyond the actual tax liability Defendant Don Hale actually incurred and paid on his personal income taxes as a result of Defendant HRC Medical's "S" corporation election while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, the Cardinal Revocable Trust, and Defendant HRC Medical's extensions, Defendant HRC Holdings and Defendant HRC Management, as debtor, and Defendants Don Hale and Dixie Hale as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

958. As outlined above, by transferring \$30,000 on November 14, 2012, after the filing of the State's lawsuit, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, made the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

959. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, Dixie Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

960. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit without receiving reasonably equivalent value in exchange while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, Dixie Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bonnie Hale as bad faith transferee for Defendant Dan Hale, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

961. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit without receiving a reasonably equivalent value in exchange while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

962. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Dixie Hale and Don Hale as bad faith transferees, made

the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

963. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Don Hale and Dixie Hale, as bad faith transferees, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

964. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit without receiving reasonably equivalent value in exchange while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Dixie Hale and Don Hale as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

965. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit without receiving a reasonably equivalent value in exchange while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Dixie Hale and Don Hale as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

966. As outlined above, by transferring \$30,000 after the filing of the State's lawsuit without receiving a reasonably equivalent value in exchange while Defendant HRC Medical intended

to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Dixie Hale and Don Hale as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

967. As outlined above, by transferring \$35,000 after the filing of the State's lawsuit, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, made the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

968. As outlined above, by transferring \$35,000 after the filing of the State's lawsuit without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

969. As outlined above, by transferring \$35,000 after the filing of the State's lawsuit without receiving a reasonably equivalent value in exchange while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

970. As outlined above, by transferring \$35,000 after the filing of the State's lawsuit without receiving a reasonably equivalent value in exchange while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Bonnie Hale as a bad faith transferee for Defendant Dan Hale, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

971. As outlined above, by issuing dividends totaling \$980,000 to offset Defendant HRC Medical's notes receivable from officers and converting them into notes payable, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Don Hale, Dan Hale and the Cardinal Revocable Trust as bad faith transferees, incurred the obligation and made the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

972. As outlined above, by issuing dividends totaling \$980,000 to offset Defendant HRC Medical's notes receivable from officers and converting them into notes payable when Defendant HRC Medical was insolvent or became insolvent as a result of the obligation incurred and transfer made, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust as bad faith transferees, incurred the obligation and made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

973. As outlined above, by issuing dividends totaling \$980,000 to offset Defendant HRC Medical's notes receivable from officers and converting them into notes payable without receiving

reasonably equivalent value in exchange while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or obligation incurred, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

974. As outlined above, by issuing dividends totaling \$980,000 to offset Defendant HRC Medical's notes receivable from officers and converting them into notes payable without receiving reasonably equivalent value in exchange while Defendant HRC Medical intended to incur or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond Defendant HRC Medical's ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

975. As outlined above, by transferring an unspecified sum of monthly percentage of gross sales payments including at least \$28,857.08 due to Defendant HRC Medical, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale individually and doing business as Southern Belle Consulting, and Defendant Montemurro doing business as MadMac Consulting, as debtor, and Defendants Don Hale, Dixie Hale, individually and doing business as Southern Belle Consulting, and Montemurro doing business as MadMac Consulting, as bad faith transferees, made the transfers with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).



976. As outlined above, by transferring an unspecified sum of monthly percentage of gross sales payments including at least \$28,857.08 due to Defendant HRC Medical without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfers, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale individually and doing business as Southern Belle Consulting, and Montemurro doing business as MadMac Consulting, as debtor, and Defendants Don Hale, Dixie Hale, individually and doing business as Southern Belle Consulting, and Montemurro doing business as MadMac Consulting, as bad faith transferees, violated Tenn. Code Ann. § 66-3-306(a).

977. As outlined above, by transferring an unspecified sum of monthly percentage of gross sales payments including at least \$28,857.08 due to Defendant HRC Medical without receiving a reasonably equivalent value in exchange while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale individually and doing business as Southern Belle Consulting, and Montemurro doing business as MadMac Consulting, as debtor, and Defendants Don Hale, Dixie Hale individually and doing business as Southern Belle Consulting, and Montemurro doing business as MadMac Consulting, as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

978. As outlined above, by transferring an unspecified sum of monthly percentage of gross sales payments including at least \$28,857.08 due to Defendant HRC Medical without receiving a reasonably equivalent value in exchange while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dixie

Hale individually and doing business as Southern Belle Consulting, and Montemurro doing business as MadMac Consulting, as debtor, and Defendants Don Hale, Dixie Hale individually and doing business as Southern Belle Consulting, and Montemurro doing business as MadMac Consulting, as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

979. As outlined above, by transferring other payments owed to Defendant HRC Medical, including at least \$6,500 in Salesforce payments due to Defendant HRC Medical, away from Defendant HRC Medical, Defendant HRC Medical, through Don Hale and Dixie Hale, as debtor, and Defendants Don Hale and Dixie Hale, as bad faith transferees, made the transfers with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

980. As outlined above, by transferring other payments owed to Defendant HRC Medical, including at least \$6,500 in Salesforce payments due to Defendant HRC Medical, away from Defendant HRC Medical without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through Defendants Don Hale and Dixie Hale, as debtor, and Defendants Don Hale and Dixie Hale, as bad faith transferees, made the transfer in violation of Tenn. Code Ann. § 66-3-306(a).

981. As outlined above, by transferring other payments owed to Defendant HRC Medical, including at least \$6,500 in Salesforce payments due to Defendant HRC Medical, away from Defendant HRC Medical without receiving a reasonably equivalent value in exchange while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical,

through Defendants Don Hale and Dixie Hale, as debtor, and Defendants Don Hale and Dixie Hale as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

982. As outlined above, by transferring other payments owed to Defendant HRC Medical, including at least \$6,500 in Salesforce payments due to Defendant HRC Medical, away from Defendant HRC Medical without receiving a reasonably equivalent value in exchange while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dixie Hale, and Michael Montemurro, as debtor, and Defendants Don Hale, Dixie Hale, and Michael Montemurro as bad faith transferees, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

983. As outlined above, by transferring incoming payments from compounding pharmacies due to Defendant HRC Medical away from Defendant HRC Medical, Defendant HRC Medical through Defendants Don Hale and Dixie Hale, as debtor, and Defendants Don Hale and Dixie Hale, as bad faith transferees, made the transfer with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

984. As outlined above, by transferring incoming payments from compounding pharmacies due to Defendant HRC Medical away from Defendant HRC Medical without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfers, Defendant HRC Medical, through Defendants Don Hale and Dixie Hale, as debtor, made the transfers in violation of Tenn. Code Ann. § 66-3-306(a).

985. As outlined above, by transferring incoming payments from compounding pharmacies due to Defendant HRC Medical away from Defendant HRC Medical without receiving a reasonably equivalent value in exchange while Defendant HRC Medical was engaged in or about to engage in a business for which its remaining assets were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale and Dixie Hale, as debtor, violated Tenn. Code Ann. § 66-3-305(a)(2)(A).

986. As outlined above, by transferring or redirecting incoming payments from compounding pharmacies due to Defendant HRC Medical away from Defendant HRC Medical without receiving a reasonably equivalent value in exchange while Defendant HRC Medical intended to incur, or believed or reasonably should have believed that Defendant HRC Medical would incur debts beyond its ability to pay as they became due, Defendant HRC Medical through Defendants Don Hale and Dixie Hale, as debtor, violated Tenn. Code Ann. § 66-3-305(a)(2)(B).

987. As outlined above, by transferring \$26,912.50, including tax withholdings, on a monthly basis on August 31, 2012, October 1, 2012, November 2, 2012, and November 30, 2012, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Dan Hale as a bad faith transferee, made the transfers with actual intent to hinder, delay, or defraud any creditor of Defendant HRC Medical, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

988. As outlined above, by transferring \$26,912.50, including tax withholdings, on a monthly basis on August 31, 2012, October 1, 2012, November 2, 2012, and November 30, 2012, without receiving reasonably equivalent value in exchange at a time when Defendant HRC Medical was insolvent or became insolvent as a result of the transfer, Defendant HRC Medical, through

Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Dan Hale, as a bad faith transferee, made the transfers in violation of Tenn. Code Ann. § 66-3-306(a).

989. As outlined above, by transferring \$26,912.50, including tax withholdings, on a monthly basis on August 31, 2012, October 1, 2012, November 2, 2012, and November 30, 2012, without receiving reasonably equivalent value in exchange while Defendant HRC Medical was engaged or about to engage in a business or transaction for which the remaining assets of Defendant HRC Medical were unreasonably small in relation to the business or transaction, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Dan Hale as a bad faith transferee, made the transfers in violation of Tenn. Code Ann. § 66-3-305(a)(2)(A).

990. As outlined above, by transferring \$26,912.50, including tax withholdings, on a monthly basis on August 31, 2012, October 1, 2012, November 2, 2012, and November 30, 2012, without receiving reasonably equivalent value in exchange and Defendant HRC Medical intended to incur or believed or reasonably should have believed that Defendant HRC Medical would incur, debts beyond Defendant HRC Medical's ability to pay as they became due, Defendant HRC Medical, through Defendants Don Hale, Dan Hale, and the Cardinal Revocable Trust, as debtor, and Defendant Dan Hale as a bad faith transferee, made the transfers in violation of Tenn. Code Ann. § 66-3-305(a)(2)(B).

991. As outlined above, by transferring all of Defendant Dan Hale's ownership interest in Defendant HRC Medical to Defendant Cardinal Revocable Trust, Defendant Dan Hale, as debtor, and Defendant Cardinal Revocable Trust as a bad faith transferee, made the transfer with actual

intent to hinder, delay, or defraud any creditor of Defendant Dan Hale, including the State, and thereby violated Tenn. Code Ann. § 66-3-305(a)(1).

### **PRAYER FOR RELIEF**

WHEREFORE, PREMISES CONSIDERED, Plaintiff, the State of Tennessee, *ex rel.* Robert E. Cooper, Jr., Attorney General and Reporter, pursuant to the Tennessee Consumer Protection Act of 1977, the State's judicial corporate dissolution provision, and the Uniform Fraudulent Transfer Act, the Attorney General's general statutory authority, the Attorney General's authority at common law, and this Court's equitable powers, prays:

1. That this Amended Complaint be filed without cost bond as provided by Tenn. Code Ann. §§ 20-13-101 and 47-18-116.
2. That process issue and be served upon the Defendants requiring them to appear and answer this Complaint.
3. That this Court adjudge and decree that TCPA Defendants have engaged in the aforementioned acts or practices which violate the Tennessee Consumer Protection Act of 1977.
4. That pursuant to Tenn. Code Ann. § 47-18-108(a)(1), (a)(4), and (a)(5), this Court temporarily and permanently enjoin and restrain TCPA Defendants from engaging in the aforementioned acts or practices which violate the Tennessee Consumer Protection Act of 1977.
5. That pursuant to Tenn. Code Ann. § 47-18-108(b)(1), this Court make such orders or render such judgments as may be necessary to restore to any person who has suffered any ascertainable loss as defined in Tenn. Code Ann. § 47-18-2102(1) including statutory interest and requiring that TCPA Defendants pay all costs of distributing and administering the same, including through the use of a receiver or third-party restitution administrator.

6. Excluding any amounts refunded to consumers, that this Court make such orders or render such judgments as may be necessary to disgorge the profits and ill-gotten gains TCPA Defendants realized by reason of the alleged violations of the TCPA.

7. That this Court adjudge and decree that TCPA Defendants pay civil penalties of not more than one thousand dollars (\$1,000.00) for each and every violation of the Tennessee Consumer Protection Act of 1977 to the State of Tennessee as provided by Tenn. Code Ann. § 47-18-108(b)(3).

8. That this Court enter judgment against TCPA Defendants and in favor of the State for the reasonable costs and expenses of the investigation and prosecution of Defendants' actions, including attorneys' fees and costs, expert and other witness fees, as provided by Tenn. Code Ann. § 47-18-108(a)(5) and (b)(4), and other state law.

9. That all of Defendant HRC Medical's and Defendant HRC Management Midwest's contracts with consumers in Tennessee for BHRT and all of Defendant Midwest Restorative's, Defendant Bella Vita's, Defendant Legacy's, and Defendant BioLifecycle's renewal contracts with consumers in Tennessee be held void, unenforceable, and uncollectable.

10. That, pursuant to Tenn. Code Ann. § 47-18-108(b)(2), the court permanently revoke Defendant HRC Medical's incorporated status, Defendant HRC Management Midwest's ability to do business as a foreign limited liability company in Tennessee, and revoke Defendant Dan Hale's license to practice medicine as a doctor of osteopathy in the State of Tennessee.

11. That, pursuant to Tenn. Code Ann. § 48-24-301, the court judicially dissolve Defendant HRC Medical as a corporation, issue a decree of dissolution pursuant to Tenn. Code Ann. § 48-24-304(a), and then direct the winding up and liquidation of the corporation's business in accordance with state law.

12. That a receiver be placed temporarily and permanently over Defendants HRC Medical, HRC Management Midwest, Bella Vita, Midwest Restorative, HRC Management, HRC Holdings, the Cardinal Revocable Trust, Legacy, and BioLifecycle to identify and marshal its assets and liabilities, to assume legal control over the entities, and to perform other tasks as set forth in the accompanying motion and proposed receivership order.

13. That a receiver be placed temporarily over the personal assets of Defendants Don Hale, Dixie Hale individually and doing business as Southern Belle Consulting, Dan Hale, Bonnie Hale and Montemurro, doing business as MadMac Consulting, to prevent asset dissipation, to identify and marshal their assets and liabilities, to perform other tasks as set forth in the accompanying motion and proposed receivership order, and to apply receivership assets towards any monetary judgment awarded to the State consistent with state law, including applicable personal exemptions.

14. That the transfers or obligations referenced above in paragraphs 655 to 899 and 933 to 996 be voided under Tenn. Code Ann. § 66-3-308(a)(1).

15. That the Court issue a temporary restraining order and temporary injunction against all Defendants that prohibits further disposition of an asset transferred or other property and other relief as set forth in the accompanying motions and proposed receivership orders pursuant to Tenn. Code Ann. § 66-3-308(a)(3)(A),(B), and (C).

16. That the monetary, other assets, or other property that are found to have been transferred in violation of the UFTA be deemed to have been held in constructive trust for its rightful owner, including the HRC Medical receivership estate.



17. That a judgment be entered for the monetary, other assets, or other property that are found to have been transferred in violation of the UFTA with up to 10% prejudgment interest under Tenn. Code Ann. §§ 47-14-123 and 66-3-308(a)(3)(C).

18. That the monetary, other assets, or other property that are found to have been transferred in violation of the UFTA be returned to the HRC Medical receivership estate.

19. That, aside from any individual liability stemming from an individual's direct participation or control, the corporate statuses or statuses as limited liability companies for Defendants HRC Medical, HRC Management Midwest, Midwest Restorative, Bella Vita, Legacy, and BioLifecycle be disregarded for purposes of assigning liability to its members or shareholders for liability assigned to Defendants HRC Medical, HRC Management Midwest, Midwest Restorative, Bella Vita, Legacy, and BioLifecycle .

20. That the Cardinal Revocable Trust, which among other things:

was used as a mechanism for Defendant Dan Hale to fraudulently conceal his continued financial affiliation with Defendant HRC Medical;

was formed following inquiries from state regulatory agencies and news media;

is administered by Defendant Dan Hale's daughter;

states that the Trust's spendthrift provisions do not apply to the Grantor;

gives Defendant Dan Hale the "absolute and uncontrolled right and power to act alone to take or omit to take any action with regard to sales, investments, retentions of assets, or any other matter or matters relating to the administration of the trust estate or the investment or reinvestment of property constituting the trust estate;" and

gives Defendant Dan Hale the right to revoke the trust agreement in its entirety during his lifetime, as well as the right to withdraw all or such part of the assets then constituting the trust estate and the right to amend, or modify the trust agreement;

be terminated, pursuant to Tenn. Code Ann. § 35-15-404, 35-15-410(a), and 35-15-505(a)(1) upon a finding that Defendant Dan Hale's purpose in forming the trust was to defraud creditors, and have its assets subject to any monetary liability obtained against Defendant Dan Hale.

21. That all costs, including discretionary costs, in this case be taxed against Defendants.
22. That a jury be empanelled to hear and decide all appropriate matters.
23. That this Court grant the State such other and further relief as this Court deems just and proper.

**This is the second application for extraordinary relief in this case as to Defendants Don Hale, Dan Hale, and HRC Management Midwest.**

**This is first application for extraordinary relief in this case as to the remaining Defendants.**

Respectfully submitted,



**ROBERT E. COOPER, JR.**  
Attorney General and Reporter  
B.P.R. No. 10934



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