Tab 81

Q. Okay. You also mentioned that the price in Paragraph 5 included the raw materials?

A. Yes.

Q. Are you talking about the ingredients of the capsule?

A. Yes, I am.

Q. And for purposes of the price set forth in Paragraph 5, what was the cost of the raw ingredients?

A. I don't know. I don't have a breakdown of that. He would have that.

Q. How did Mr. Sarlitt determine the cost of the ingredients themselves?

A. Based on the amount of product that's in the formula. If it had 300 kilos of caffeine in it, he would take the price of -- the arbitrary price, say, was $10 for a kilo of caffeine; 300 times 10 would be $3,000. He would take all that, multiply it and divide it by the amount that was in the batch, and that would give him the price of the raw ingredients to manufacture the products.

Q. What documents did Mr. Sarlitt look at to determine that price?

A. He would have relied on a formula card along with purchase orders and invoices.

Q. What do you mean by "a formula card"?

A. When we manufacture a product, a formula card

would be similar to what a layman would call a recipe. And it would say how much of everything needs to go into that product. And he would take that, and he would just multiply out how many kilos and what the price per kilo was to determine the overall price of all the ingredients.

Q. Did you look at the formula card, the purchase orders, or the invoices for purposes of coming up with the price of the raw materials?

A. I've looked at them in the past. I did not review them for this deposition.

Q. Did you review them for purpose of your affidavit, which is Exhibit 38?

A. Yes, I reviewed them. I basically know the prices. I've manufactured them for 20 years. I know what it costs me to manufacture everything. So I reviewed everything to make sure that, to the best of my knowledge, that everything was accurate.

Q. How about the bottle cap? I believe you said that was one of the cost elements that's included in the number in Paragraph 5?

A. Yes.

Q. What is the cost of the bottle cap?

A. I don't know.

Q. Who does N.V.E. purchase its bottle caps from?

A. I don't know that either.