



VIA EMAIL

TO: Kyäni Distributors, Diamond and above
FROM: Michael Breshears, CEO
DATE: October 3, 2016
RE: HD WALZ II ENTERPRISES, LLC v. KYÄNI, INC.

FOR IMMEDIATE RELEASE

Dear Kyäni Family:

We write to let you know about a recent controversy regarding one of our distributors in Texas. Mr. David Walz, owner and proprietor of HD Walz II Enterprises, LLC, filed suit against Kyäni and a few Kyäni distributors in Texas state court. Among other allegations, Mr. Walz has made what we view as an entirely unsupported and totally frivolous claim that Kyäni is operating as an illegal pyramid scheme.

It looks now as though the case may draw the attention of certain media outlets, including perhaps TINA.org. As a result we wanted to explain to you the factual background of the case, as well as Kyäni's philosophy and why we have chosen to approach the matter as we have. We felt you should hear it from us first, and not from third party media outlets that, with all due respect, operate without any detailed understanding of the facts and allegations.

The first thing you need to know about this case is that it is not really a pyramid scheme case at all from our perspective. The factual allegations do not appear to us to have any relationship to pyramid scheme law. Instead, based on the facts as we know them, this case is about Mr. Walz's belief that he is entitled to have large portions of Kyäni business moved from other people's downlines to his.

The case began when Mr. Walz, after having been a Kyäni Distributor for more than a year, and having earned more than \$100,000 USD during that time, contacted Kyäni for the first time to explain that an "error" had been made in the placement of one or more of his downline Distributors, and to demand that Kyäni correct it.

Mr. Walz not only demanded that Kyäni move the primary Distributor(s) about which he was complaining, but also that Kyäni move 1,338,801 of monthly QV, and 762,628 of monthly CV that was placed under the primary Distributors from other people's lines of business and place it in his own. Mr. Walz had personally sponsored and was responsible for very little of that volume, aside from his purported claim to some key Distributors. The remainder represents purchases from Customers and or Distributors placed there by others.

We contacted the Distributors Walz claimed were placed incorrectly. We contacted other Distributors who were aware of what happened when the placement of these key Distributors

was decided. We looked into our own records. We learned that it was Walz himself who specified where the Distributors would be placed. We also learned that not one Distributor who was involved agreed with Walz's version of the events. In our opinion it was clear that Walz was simply trying to get something for nothing.

We decided that we would adhere to our policies, which require that, even if there is a placement error, it must be brought to our attention within 60 days, and do not permit the willy-nilly movement of large portions of business except in very extreme cases not present here.

Mr. Walz would not accept our decision. Thinking that he could threaten us into changing our minds, he hired a law firm in Texas. The law firm wrote us a couple of rambling, difficult to decipher letters that we did not believe gave us any legal or factual reason to change our minds. We told the lawyers that we had seen nothing that would justify us departing from our policies to benefit Walz and hurt others in this way. The facts were the facts.

Mr. Walz persisted, threatening us through his lawyers with a "class-action" suit alleging that we were operating a pyramid scheme if we did not move the people and volume as he had demanded. His goal as we saw it was obvious—to frighten us into doing what he wanted. We then had a decision to make.

We knew that it was possible that Mr. Walz would carry out his threat to publicly make these ridiculous and unsupported allegations if we declined to essentially hand him, without any effort on his part, what we have estimated to be roughly a Green Diamond rank and the massive commission increase that would accompany it. We knew that if Walz filed his lawsuit, there might be publicity that could be harmful to us, even though we would expect to be completely vindicated in any such suit. The court of public opinion is a fickle thing.

But we also knew that we have a responsibility to each and every Kyäni Distributor to have integrity in how we administer the compensation plan. You trust us to be fair, and we take that trust seriously. Mr. Walz's lawsuit, ironically, accuses us of failing to enforce our Policies and Procedures against other Distributors while simultaneously demanding that we take from others a large amount of business that they built at considerable effort, and hand it to him instead, in violation of our Policies.

Thankfully, this was an easy decision for Kyäni to make. The principles that the Hansens and Taylors have built their family businesses on for decades apply here: be honest, be straightforward, have integrity. Do the right thing. Believe in your customers and business partners, and believe that they will understand why you do things the way you do them. Build for the long term, not just for today.

Because of those principles, it was easy for us to decide that we would not bow to Mr. Walz's attempts to legally extort money from us. We try to do the right thing and be honest. If we have fallen short, we're willing to listen and try to improve. But that didn't happen here.

And we won't play the game of paying someone money just to avoid a trumped-up bunch of legal allegations we believe have no basis in law or in fact.

Unfortunately, that means that you may hear from Mr. Walz and you may hear from Internet or media outlets about this case. We can't be sure what they will say. They may make all kinds of outlandish claims against Kyäni. They may say bad things about Kyäni leaders. However, we wanted you to be aware in advance so you can judge for yourself. If you know the facts, it is easier to see that there is nothing to any of it other than simple tabloid-style sensationalism.

We likely won't have much more to say about this case unless the need arises. However, if you get questions from customers, distributors, or prospects, you can feel free to hand them this letter or give them the information contained in it. The company looks forward to completing the legal process and being entirely vindicated of Mr. Walz's allegations.

Sincerely,

Michael Breshears
Chief Executive Officer, Kyäni