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January 14, 2013

Via e-mail

Troy Dooly

E-mail: **(Personal Email Address Removed By Troy Dooly)**

Dear Mr. Dooly:

I am writing in response to your recent article, "MLM Perspective: Former Melaleuca Distributors Share Their Perspectives On Policy 20," which includes a recording of your interview with Terry Dorfman and Natalie Foeller and your related commentary (the "Article"). First, let me say that we trust you have the intention to provide accurate and helpful information to your readers and listeners. Assuming that is indeed your intent, your Article does not meet this journalistic standard. We were surprised not only that you decided to publish your interview before Melaleuca had the chance to respond, but also at several gross inaccuracies and misrepresentations of the facts in statements made by Terry Dorfman, Natalie Foeller and even you during the interview.

The public court records themselves prove many of the statements made by Terry Dorfman and Natalie Foeller to be false. The inaccuracies in their statements are so significant that it would be irresponsible of you not to remove the Article from your website, as it misinforms the public as to the facts of several court cases involving Melaleuca, including the *Foeller*, *Dorfman*, and *Max International and Dunn* cases. These cases are in the public record. Even minimal research would inform you or any other interested party that many of the statements that Ms. Dorfman, Mrs. Foeller, and you made during the interview were false.

Since you did not have an accurate picture of the situation, we are disappointed that you commented in the Article about what Melaleuca should have done. If you had been presented with the actual facts about Ms. Dorfman's violations of Policy 20, I believe you would recognize that Melaleuca has been patient and more than fair under the circumstances.

One of the false statements that you made in the interview is that Melaleuca has not won all of its court cases, including a case brought against Ken Dunn. Contrary to your suggestion, for more than a decade, Melaleuca has consistently won or settled to its advantage every Policy 20 case in which it has been involved.¹ That includes several of the cases discussed in the interview with

¹ See, e.g., *Melaleuca, Inc. v. Max Int'l, et al.*, No. 09-CV-572-WFD, slip op. at 5-6 (D. Idaho Jan. 7, 2010) (granting preliminary injunction based on unlawful solicitations of Melaleuca Marketing Executives); *Melaleuca, Inc. v. Foeller*, No. CV-09-2616 (Idaho 7th Dist. Dec. 21, 2011) (granting summary judgment to Melaleuca); *Melaleuca v. Miles*, No. CV-09-4915 (Idaho 7th Dist. Dec. 20, 2010) (judgment for over \$18,000); *Melaleuca v. Agren*, No. CV-09-5070

Ms. Dorfman and Mrs. Foeller, including the case that Melaleuca brought against Max International and Ken Dunn. In that case, Melaleuca obtained a far-reaching injunction preventing Max and Ken Dunn from engaging in any unlawful recruitment of Melaleuca Marketing Executives. Max and Ken Dunn each separately settled with Melaleuca and Melaleuca received substantial compensation in those settlements. Indeed, as set forth in the attached joint statement by Max and Melaleuca, "Max ... agreed to pay \$1.2 million to Melaleuca to resolve the case" and "apologize[d] to Melaleuca" for its actions.

Both Mrs. Foeller and Ms. Dorfman violated Melaleuca's anti-raiding policy, Policy 20. Contrary to Mrs. Foeller's assertions in the interview, every single relevant decision issued by the Idaho district court in the Foellers' case specifically found that the Foellers had violated Melaleuca's Policy 20. Any claim or suggestion to the contrary is manifestly false. It would be irresponsible for you to participate in any effort by Ms. Dorfman or Mrs. Foeller to misinform the public when you know or should know, based on public court documents, that their statements concerning these court cases are false. Ultimately, the court found that the Foellers were liable for damages of \$23,856.41-the exact amount sought by Melaleuca from the court. While Melaleuca believes that the Foellers caused even greater damage to Melaleuca, Melaleuca decided not to pursue those additional damages.

Among other things, Mrs. Foeller's assertion that she only recruited close family members to join Max is simply false. Your publishing those false assertions without correcting them makes you an accomplice to her slanderous and defamatory statements. And while the Foellers have appealed the court's decision that found them liable and awarded damages against them, they have notably not challenged the underlying finding they violated their contract, only the amount of damages awarded. Melaleuca is confident that the Idaho Supreme Court will agree with the lower court's ruling that the Foellers are responsible to reimburse Melaleuca for those damages.

Ms. Dorfman's case is currently in discovery and Melaleuca finds it curious that she would seek to litigate her arguments through you, rather than before the court in the case that she brought against Melaleuca. Indeed, Ms. Dorfman's motivations behind her lawsuit are suspect, as she published her complaint publicly over the Internet as soon as the complaint was filed. At this stage, Melaleuca will simply note that Ms. Dorfman's statements to you about her case were neither accurate nor complete. Melaleuca has already identified several inaccurate statements contained in Ms. Dorfman's complaint based on actual recordings of statements and conversations, and Ms. Dorfman herself has fully acknowledged violating Melaleuca's policies. Melaleuca is confident that it will prevail in Ms. Dorfman's case.

(Idaho 7th Dist. May 26, 2011) Qudgment for over \$50,000); *Jordan v. Melaleuca, Inc.*, No. CV-00-2480 (Idaho 7th Dist. May 8, 2001) Qudgment for over \$29,000); *Blood v. Melaleuca, Inc.*, No. CV-00-2479, at 16 (Idaho 7th Dist. Mar. 22, 2001) (granting summary judgment to Melaleuca); *Melaleuca, Inc. v. Independence Energy Alliance, et al.*, No. CV-2012-520 (Idaho 7th Dist. Dec. 17, 2012) (granting preliminary injunction based on unlawful solicitations of Melaleuca Marketing Executives).

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One reason that Melaleuca has won every single lawsuit it has been involved in regarding Policy 20 is that it only uses litigation as a last resort after exhausting every other potential solution. Melaleuca also wins these lawsuits because the court agrees with Melaleuca's position. Melaleuca has a strong commitment to protect the businesses of its independent Marketing Executives. We will not tolerate the raiding of those businesses by unscrupulous people who formerly masqueraded as legitimate Marketing Executives while their actual intent was to raid the businesses of the very people who helped them be successful in Melaleuca. Such unscrupulous raiding practices destroy lives because they destroy the independent businesses of honest, hard-working people. Melaleuca makes absolutely no apology for protecting the businesses of its Marketing Executives. You would do Melaleuca a great service by warning everyone who may be considering joining Melaleuca with the intent of later raiding Melaleuca, to stay away. Their strategies may work with MLM companies but they will not work here.

Note that recently, hundreds of our Corporate and Executive Directors independently signed notarized affidavits expressing their support of Melaleuca's enforcement of its anti-raiding policy. They want to be able to depend on Melaleuca to protect them from these unscrupulous raiding practices. And they can depend on Melaleuca to do exactly that. And yes, when necessary, we will use the courts to provide that protection. So far, after dozens of court cases, the courts have always agreed with Melaleuca. That's because we are fair, evenhanded, and honest in how we protect our Marketing Executives.

The false statements and inaccuracies in your Article are so significant that it would be irresponsible for you not to remove the Article from your website. Moreover, any continued publication of the Article likely subjects you to liability for having knowingly published those false statements. We therefore must ask that you remove the Article and publish a retraction.

Sincerely,



Ryan D. Nelson
General Counsel

Enclosure

JOINT STATEMENT BY MELALEUCA, INC. AND MAX INTERNATIONAL

Melaleuca and Max today announced that they have settled a lawsuit Melaleuca brought against Max in November 2009 in the United States District Court for the District of Idaho. Melaleuca alleged in its complaint that Max had tortiously interfered with Melaleuca's contracts with its Marketing Executives. Melaleuca obtained a preliminary injunction against Max after Melaleuca demonstrated a likelihood of success on the merits of its claims.

As part of the settlement, Max has agreed to pay \$1.2 million to Melaleuca to resolve the case. The parties look forward to advancing their respective businesses without the distraction and expense of this litigation. Max apologizes to Melaleuca and deeply regrets any actions, if any, by its officers, employees or associates that contributed to any contract violations by former Melaleuca marketing executives. Max has also agreed to cooperate with Melaleuca's pending actions against some of the former Marketing Executives involved in the violations.

Frank VanderSloot, Melaleuca's CEO, stated, "This settlement was made possible in part by the recent change in top management at Max. Both Mr. Bagley and Mr. Voyticky demonstrated a willingness to address the serious nature of this case so that needed progress could be achieved."

Max Co-CEOs Joseph Voyticky and David Bagley jointly thanked Melaleuca and its CEO Frank VanderSloot for helping to reach a positive mutual resolution in this matter. Mr. Voyticky stated, "Melaleuca is a proven leader in consumer direct sales, and made today's resolution a reality. Max is committed to best-in-class practices and we will continue to look to Melaleuca for its tried and true examples of professionalism, innovation and services that complement and protect the businesses that are built through the hard work of valuable independent marketers."

Mr. Bagley commented further by saying, "Melaleuca was founded over 25 years ago, and continues to be an industry innovator and leader. This doesn't happen by accident. It requires a great deal of hard work, vision, and commitment. Mr. VanderSloot has incessantly demonstrated those qualities and characteristics over the years, which is a foundational reason why Melaleuca is what it is today; a thriving global enterprise. Both Joe and I commend Melaleuca for its example in the industry." Voyticky and Bagley finalized their comments by stating that they were happy with today's resolution and thankful for Melaleuca's assistance.