

## Utah drink firm in meltdown

Failed ouster » Zrii fires top level distributors, top execs resign.

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A Utah-based nutritional drink company that started last year is reeling after its top distributors failed in an attempt to oust its CEO and co-founder and then were fired. Other co-founders of the company and top managers, including at least 35 top employees, also left the company amid allegations of personal enrichment made against CEO William F. Farley.

The sides were huddling with lawyers Friday to discuss options after the meltdown at Zrii LLC of Draper, which launched its juice just last May with the endorsement of the popular author of mind-body wellness books and seminars Deepak Chopra.

Farley terminated the top seven distributors in an e-mail Thursday after they had sent him a letter on Monday demanding his resignation, said Jason Domingo of Sacramento, the company's master distributor, who was at the top of a web of what he said were about 70,000 independent sellers at the multilevel marketing company. Domingo cited personal and professional behavior by Farley, his relations with distributors and company staff, as well as his decisions altering payments to distributors in ways not in accord with the Zrii's compensation plan. The letter, which has been circulating among lower-level distributors, demanded Farley "immediately remove yourself as the CEO of Zrii." "Your behavior both in your person and professional life, neither represents the ideals and principles of our team nor our brand," said the letter. "To continue our association with you would not only represent a severe compromise in principle but would also put every IE's [independent executive's] family at great risk."

Farley refused to resign, according to Domingo.

"It did not go down the way we had hoped," Domingo said. "He did not capitulate. He's still there, and we're not." A statement from a company formed by a former Zrii independent executive, Keith Fitzgerald, to buyout Zrii, said the resignations and firings were the result of mismanagement:

"The groups claim that, disregarding its co-founders' mission and ideals, Farley has saddled the company with unnecessary debt while using it as his personal piggy-bank, and that continuing to work with him under the circumstances would represent a profound betrayal of their individual integrity and personal relationships as well as Zrii's founding principles." Farley refused to participate in any discussions about selling his interests, the group said.

"It appears that Mr. Farley has chosen to continue a 'scorched earth' strategy that is directly at odds with the long-term interests of the thousands of people who invested their individual and collective efforts to develop the personal relationships on which Zrii's success must be built," said Kirby Zenger, a spokesman for the group, who was quoted in the statement prepared by attorneys at Jones Waldo, who represent the Wellness Acquisitions Group.

The company refused to discuss details of what had occurred but released a short statement through Salt Lake City attorney David Griffin:

"Mr. William Farley, the owner, founder, and CEO of Zrii LLC confirmed that Zrii continues in its normal operations. Zrii continues to take orders, ship products, pay commissions and meet its other obligations such as its payroll. Mr. Farley also confirmed that 'Zrii is not for sale. Zrii had an explosive first year of growth and we

continue to be excited about its future.' "

Tracy Harward, one of five co-founders listed on the company's Web site, confirmed she had resigned her post as vice president of marketing but said it was for reasons unrelated to the letter to Farley or the dismissals.

"Bill's management with me personally was just not working," she said.

Despite the assertion of normality, the turmoil at Zrii risks the future of the company. Multilevel marketing companies depend on a network of independent distributors who earn commissions from other distributors they recruit.

Enthusiasm for the products and faith in the company's management are key ingredients of success.

The company was launched publicly in May of 2008 with a glitzy convention in Salt Lake City with 4,000 distributors that Farley called "the largest launch in the history of network marketing." Zrii juice is based on the fruit amalaki that is grown at the base of the Himalayas in India. The word Zrii, according to the company, is a Sanskrit word that means light, luster, splendor and prosperity. The company promotes the juice as healthy for the body, mind and spirit.

The product was endorsed by the Chopra Center for Wellbeing, an organization founded by Deepak Chopra, a medical doctor from India who has written and spoken extensively on the intersection of mind, body and spirituality. Chopra, apparently because of a close relationship with Farley, addressed the convention in May. The charismatic Farley is best known as the former CEO of the Fruit of the Loom underwear company. He took over Fruit of Loom in a leveraged buyout and became known in the 1990s for appearing in television commercials in his underwear. While the company's stock had soared in 1997, the company just three years later filed for bankruptcy and Farley was fired as chief executive. A 1998 class action lawsuit charged Farley and other executives had sold millions of dollars of stock before it began a steep decline. A lawsuit in Chicago involving another company also accuses him of diverting money for his own use, including pension funds.

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