





# **EXHIBIT 1**

KFI

May 30, 2008

45% Wool, 35% Silk, 20% Nylon  
50g = 175m

It has just come to our attention that the Italian spinner of Silky Wool changed the composition in order to strengthen the product following testing done in their quality assurance department. Unfortunately, the manufacturer did not make KFI or Elsebeth Lavold aware of this change until now. To help you understand the situation, we have included his explanation below:

*"We do not spin this item in our Mill, because it is produced with carded spinning machines which we do not have. So we buy the single yarn by a carded Spinning Mill in our area, which is specialized in the production of fine un-dyed single yarns with this production system, then we twist the yarn, dye etc.*

*When we started with this quality the blend was wool and silk, as requested and declared: then, after the first few production lots, quality control of the spinning mill realized that the yarn, so as it was, was not OK, mainly because the resistance / strength of the yarn was not enough (the yarn was too weak); they therefore decided to put 20% nylon instead of 20% wool, for solving that problem.*

*There is no "strange" reason why they did that, it was only a technical matter. It is not a question of saving money, or something similar: the nylon and the wool used for these kind of carded yarns cost about the same, and the mix of three components (wool - silk and nylon) instead of only two (wool and silk) cause additional costs during production process, so finally the blend with nylon is slightly more expensive than the one without.*

*The mistake has been caused by the fact that the production dept. of the Spinning Mill has not informed the sales dept. about the change, so the sale dept. has not changed its records and we have not been notified about it."*

KFI is terribly sorry that this change to the blend was made without prior notice to us and to our retailers. Fortunately, we have been, as a result, receiving a superior product at no additional cost, and as you well know, Silky Wool has very high ratings and an incomparable level of consumer satisfaction.

To correct the labeling issue, we propose the following:

- 1) Please find enclosed enough self-stick labels to relabel any product you have left in stock by covering and replacing the old composition.
- 2) KFI has issued to your account a credit for 5 cents per label (based on your purchases from June 1st 2006 until May 31st 2008) to compensate for the labor involved in affixing the labels on the ball bands.
- 3) In appreciation of your continued endorsement of the lovely Silky Wool yarn, all Silky Wool orders placed during June 2008 will receive a 10% discount.

Should you have any further questions or concerns - please feel free to contact me (Jeff D) at our toll free number (800)-645-3457.

Again we apologize and thank you in advance for your support and understanding.

Sincerely yours,  
Jeffrey J. Denecke Jr.  
Manager of Operations

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