



Kombucha Products Update

June 22, 2010

On Wednesday, June 16, UNFI halted the sale of unpasteurized Kombucha products, and recommended retailers also halt sales of those items. Many questions have arisen, including why UNFI took this course of action, what stores should do with inventories of affected products, and what the final resolution will be. The objective of this communication is to provide you with the latest information available.

Why did UNFI halt the sale of unpasteurized Kombucha products?

UNFI was made aware that unpasteurized Kombucha products may not meet federal regulations governing the sale and labeling of products containing alcohol. When our suppliers were asked to prove compliance with the regulations in question, they were unable to immediately do so. In fact, we have been informed that certain tests conducted showed many unpasteurized Kombucha products to contain in excess of .5% alcohol content by volume, the threshold above which products must include on their label the federal warning regarding the possible effects of alcohol.

The concerns are basically:

- Items with alcohol content above this .5% threshold may pose a danger to some consumers.
- Knowingly selling such items that do not meet labeling requirements is illegal.
- Retailers that sell items containing alcohol over this threshold are required to hold specific type(s) of retailing permits/licenses/bonding. Many of the retailers who purchase from UNFI and who do not have such permits face potential legal exposure. As well, many of our retailers who purchase product which should have the labels but don't and are above the threshold could lose any permits/licenses they may have. Finally, if we have reasonable knowledge we are selling such products in violation of the law, our Company is exposed to certain liability.

Why are UNFI competitors still selling unpasteurized Kombucha products?

There is presently no government-mandated recall of the items in question. UNFI, when provided the knowledge noted above, made the decision that the right thing to do to protect our retailers, consumers, and our own Company, was to halt the sale of these items. We placed a premium on doing the right thing, not on trying to maximize profits.

What is the latest information on the brands affected?

- **Celestial Seasonings**
Items have been withdrawn from the market by Celestial, and will be reformulated as rapidly as possible to assure compliance with labeling requirements.
- **GT's / Millennium**
Completing extensive third party testing on product presently in the marketplace, and estimate a June 25, 2010 disposition of path forward based upon testing results.



- **Katalyst**
Completing third party testing on product presently in the marketplace, with no estimated date of final disposition.
- **High Country**
Product has been reformulated to reduce sugar content. UNFI is awaiting decision from High Country on how to proceed.
- **Honest Tea**
Completing extensive third party testing on product presently in the marketplace, and estimate a June 25, 2010 disposition of path forward based upon testing results.
- **Vibranz**
Items have been reformulated by Vibranz, and are in the process of being tested for alcohol content before being reintroduced to the market.

What should stores do with unpasteurized Kombucha product they have pulled off their shelves?

The answer is specific to each brand involved:

- **Celestial Seasonings**
Call in credits to UNFI; destroy product at retail.
- **GT's / Millennium**
By end of day 6/25, GT's will determine if their current inventory meets labeling requirements.
 - If yes, product (including inventory at retail) will be cleared for sale.
 - If no, GT's will determine whether credits will be authorized to be called in to UNFI.
Presently, UNFI has not received a commitment that GT's will authorize credits.
- **Katalyst**
After third party testing of product presently in the marketplace is completed, Katalyst will determine and communicate their position regarding inventory presently at retail.
- **High Country**
UNFI is awaiting decision from High Country on how to proceed.
- **Honest Tea**
By end of day 6/25, Honest Tea will determine if their current inventory meets labeling requirements.
 - If yes, product (including inventory at retail) will be cleared for sale.
 - If no, credits will be authorized to be called in to UNFI and product destroyed at retail.
- **Vibranz**
Call in credits direct to Vibranz at (707)473-9240, attention Kathy Taylor. Vibranz will not honor credits called in to UNFI directly.