



Memorandum
Wednesday, 7/7 Update
Updates are highlighted

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.

Are UNFI competitors still selling unpasteurized Kombucha products?

Although some UNFI competitors continued to sell raw kombucha products after our decision to halt sales on June 16, we believe the majority of those distributors have since halted their sales of these items.

Are manufacturers planning to pasteurize reformulated product in order to meet labeling requirements?

This is a common concern of retailers. Although UNFI doesn't have control over how manufacturers approach the reformulation process, we've not heard that pasteurization is a planned part of their reformulation strategy. The most common planned changes UNFI has been made aware of include:

1. Reducing sugar content – Sugar acts as a catalyst of the fermentation process, and the higher the sugar level, the higher the resulting alcohol level of the product.



2. Reducing shelf life – The fermentation process continues after the product is manufactured/bottled. By reducing the shelf life, suppliers reduce exposure to additional fermentation time during which the alcohol content continues to rise.

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. Currently, there is no ETA for reformulated product.
- GT's / Millennium
New production, 100% compliant product to be released to distribution in July.
- Katalyst
Completing third party testing on product presently in the marketplace, with no estimated date of final disposition. 7/7 update: no additional information has been provided by this supplier.
- High Country
Company has reformulated, and is working to ship UNFI new product. Best estimate ETA is 7/19-7/26 into UNFI warehouses, and available for sale.
- Honest Tea
Product withdrawal from market. Reformulation taking place; no ETA on reformulated product at this time.
- Kombucha Botanica
Working on reformulation of product. September 1, 2010 ETA for reformulated product.
- Pronatura
The ready to drink shelf stable kombucha item is not pasteurized, and does not meet labeling requirements. We have halted the sale of this item. No information on go-forward approach by the supplier is available presently.
- Vibranz
Items have been reformulated by Vibranz. We are very close to final approval for reintroduction into distribution. ETA for reformulated product is 1- 1 1/2 weeks into UNFI DC's.

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
Call in credits to UNFI. Please note any credit request greater than \$200 needs prior verification by your UNFI sales rep. Destroy product at retail (product must be held for verification if claim amount is greater than \$200).
- High Country
Call in credits to UNFI; destroy product at retail.
- Honest Tea
Call in credits to UNFI; destroy product at retail.



- **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. 7/7: supplier has provided no additional information to date.
- **Kombucha Botanica**
Call in credits to UNFI; destroy product at retail.
- **Pronatura**
Call in credits direct to manufacturer on only ready to drink kombucha item, at 800-555-7580 or 847-718-0899 to contacts Amir or Andre. Pronatura will not honor credits called in directly to UNFI.
- **Vibranz**
Call in credits direct to Vibranz at (707)473-9240, attention Kathy Taylor. Vibranz will not honor credits called in to UNFI directly.