



May 3, 2010

Via Email and First Class Mail

Ms. Marilyn D. Wilbarger, RPA, CCIM
City of Key West, Florida
PO Box 1409
Key West, Florida 33041-1409

Re: Settlement Agreement for 201 William Street

Dear Marilyn:

In response to our discussions, I would like to provide some background on our decision to request early termination of the lease at 201 William Street, Key West, FL. UNFI is primarily a distributor of natural and organic products with 22 distribution centers around the United States. We have several other divisions that complement our distribution channel including an organic produce company, organic import and manufacturing, a branded division, a gourmet and specialty food distributor as well as our retail division known as NRG.

Our retail division had typically acquired stores where we were the primary distributor and the customer was about to close their store. Rather than lose penetration in a given market area we sometimes purchased the store and continued to run the operation, often selling them to another customer after the business had been stabilized. The Key West store was a significant departure from our previous strategy for this division. We were not a distributor to the Waterfront Market and the employees running the NRG division at that time were enamored with the City of Key West, the store location and potential for an organic food store.

Senior leadership at UNFI was presented with business projections that in no way reflected the realities of running the Waterfront Market in Key West. The management attempted to sell organic and natural food but that yielded less than stellar results, and the store lost significant amounts of money. The management team responsible for the purchase has been replaced in its entirety and the current management has been tasked with turning this division around. They have been successful everywhere except Key West.

The Waterfront Market now sells conventional food products including major conventional brands that as a company we do not carry. We in turn must purchase those items from distributors other than ourselves and the business model simply doesn't work. Despite the hard work and dedication of our team in Key West, the store continues to lose money. We find ourselves operating a retail store outside our core business and our request is simply one of economics. Recognizing our inability to return value to our shareholders we are requesting an early termination to our lease in order to mitigate anticipated losses through the remainder of our lease term. The City of Key West is a wonderful community but it is unique and not well suited for large companies with remote management.

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You have already received a revised Agreement incorporating the changes you've requested via email. Please let this letter also confirm that the existing refrigeration equipment will be removed as per our discussion and agreement. The revised Agreement also assumes a lease termination date of June 30, 2010. If for some reason, that date slips, any additional rent payments made under the current lease will be deducted from the settlement amount.

It is our request that this Settlement Agreement for 201 William Street be placed on the agenda for the next meeting of the West Bight Management District Board as well as any other commissions or councils having approval requirements to meet our request. If you have any questions please do not hesitate to contact me directly.

Sincerely,

Thomas A. Dziki
SVP Sustainable Development

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