

Grand jury probes Odwalla

Juice company posts \$2 million third-quarter loss

Staff and wire reports

HALF MOON BAY — Odwalla Inc. is the subject of a federal grand jury investigation into the contamination of its fresh-squeezed apple juice with E. coli bacteria last year.

The company has also continued to hemorrhage financially following the October outbreak, with losses so far this fiscal year of \$11.4 million, the company announced Thursday.

In a statement announcing its third quarter revenues, Odwalla said it has received a grand jury subpoena and is cooperating with investigators.

The contamination was linked to the death of a 16-month-old Colorado girl and illnesses in 60 others, forcing it to recall its products. Five of nine lawsuits filed against the company have been settled, it said.

The company began pasteurizing its fresh-squeezed apple juice after the incident. Previously, it said the process would destroy the taste

and nutritional quality of its juice.

Odwalla, based in Half Moon Bay, still faces two class-action suits and two personal injury suits stemming from the October outbreak.

"One of the things that helped us in settling was the way we approached the problem upfront," chief executive Stephen Williamson said last month. "I think people genuinely felt our sincerity."

Company executives weren't immediately available for comment this afternoon because they were participating in a conference call that was closed to the media.

Odwalla has recovered more than 80 percent of its sales lost since it recalled the apple juice on Oct. 30 and has introduced a new line of meal-replacement drinks, company officials said.

Company shares closed unchanged at 11¼ Thursday, before news of the investigation was announced.

The company Thursday an-

nounced losses of \$2.1 million, or 36 cents per share, for the third quarter, bringing operating losses to a total \$11.4 million for the fiscal year.

Net sales were also down 17 percent, from \$16.5 million to \$13.7 million from the similar quarter last year.

Nevertheless, CEO Stephen Williamson said in the statement that he was pleased with the continuing recovery. "We're pleased that our third quarter sales are within 17 percent of the same quarter last year," said Williamson. "Additionally, consumer confidence and continued demand for our products has driven a 22 percent growth rate over last quarter," he said.

Third quarter sales were boosted by the successful launch of Future Shake, a pasteurized, non-juice-based meal replacement drink, said the company. The product secures a position for Odwalla in the growing category of meal replacements and nutritionally fortified beverages.