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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

**TO:** William M. Moran, Jr., President/CEO/Director  
William M. Shaner, Executive Vice President/COO  
**Moran Foods, Inc., dba Save-A-Lot, Ltd.**  
**100 Corporate Office Drive**  
**Earth City, Missouri 63045**  
  
**818 West 7<sup>th</sup> Street**  
**Los Angeles, California 90017**

**DESIST AND REFRAIN ORDER**  
**(For violations of section 31110 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. At all relevant times, Moran Foods, Inc. (hereinafter “Moran Foods”) doing business as Save-A-Lot, Ltd., was a subsidiary of SUPERVALU, Inc., a Delaware corporation publicly traded under the symbol SVU and operates a website on the Internet at [www.save-a-lot.com](http://www.save-a-lot.com).
2. Moran Foods is a Missouri corporation formed on March 9, 1983 with a business address of 100 Corporate Office Drive, Earth City, Missouri 63045 and a registered California address of 818 West 7<sup>th</sup> Street, Los Angeles, California 90017.
3. William M. Moran, Jr. (hereinafter “Moran”) is President, Chief Executive Officer and a Director of Moran Foods. William M. Shaner (hereinafter “Shaner”), is Executive Vice President and Chief Operating Officer of Moran Foods.
4. Moran Foods is engaged in the grocery business and claims to “license” to retailers grocery stores using the name Save-A-Lot and a business model of high-volume, low-priced, limited assortment products.
5. Retailers may operate a Save-A-Lot store by entering into a series of contracts with Moran Foods under its “Retailer Program”. Such contracts include, but are not limited to, a License

1 Agreement, Security Deposit Agreement, a Save-A-Lot Payment Policy, a Marketing Support  
2 Subscription Agreement, a Guaranty, and a Supply Agreement. Pursuant to their agreements,  
3 retailers are granted the right to engage in the business of a grocery retailer under the Save-A-Lot  
4 name, selling grocery and other store goods pursuant to the marketing plan and system prescribed by  
5 Moran Foods for fees and other charges.

6 6. Moran Foods claims that its Retailer Program is designed to help retailers compete in the  
7 grocery retail industry. Retailers are told that the Save-A-Lot store is a unique and tested business  
8 model, and that if they provide the capital and commitment to the program they will be helped to  
9 succeed. The Save-A-Lot business model is said to include:

- 10 • a smaller store averaging 14,000 to 16,000 square feet to reduce operating costs, and which  
11 feature Save-A-Lot's interior and exterior décor package;
- 12 • a "dollar department" which carries certain general merchandise;
- 13 • a limited assortment format of food items that shoppers buy most often, including national  
14 brands and over 400 exclusively packaged Save-A-Lot trademarked brands;
- 15 • Private Save-A-Lot brands which cannot be purchased anywhere else, are developed with  
16 manufacturers and producers across the United States, and that deliver high-quality and  
17 savings of up to 40%;
- 18 • a great buying power by purchasing one size of a variety of products through the Save-A-Lot  
19 network of more than 1250 stores spanning from Maine to California with 4+ million weekly  
20 shoppers;
- 21 • handling efficiencies wherein retailers order, receive, and sell merchandise out of custom  
22 cartons to cut labor and shelving costs and operations.
- 23 • Save-A-Lot's self-distribution system. Products ordered are delivered from a single truck  
24 from one of 16 strategically located distribution centers. The distribution centers are  
25 designed especially for Save-A-Lot's limited assortment model.

26 7. Retailers also benefit from the Save-A-Lot website located on the Internet at [www.save-a-](http://www.save-a-lot.com)  
27 [lot.com](http://www.save-a-lot.com). There, customers can request to receive advertising circulars and obtain gift certificates by  
28 calling a Promotions Department listed on the website.

1           8. Retailers are told that Save-A-Lot is a wholly owned subsidiary of SUPERVALU, Inc., a  
2 Fortune 100 company and “one of the largest companies in the United States grocery channel”, and  
3 that Save-A-Lot’s annual system-wide retail sales have grown to more than \$4 billion with expected  
4 increases. Moran Foods promises to continue its Save-A-Lot store expansion and claims that its  
5 “licensed” retailers operate approximately 75% of its Save-A-Lot’s stores.

6           9. Moran Foods charges retailers a mandatory 2.5% “service fee” per delivery on all product  
7 sold to them. There are also freight and fuel surcharge fees per delivery, and other weekly and  
8 monthly fees for support services including but not limited to Telecheck check authorization, Muzak,  
9 PC Renal, Standard and Combo Host Support, accounting services, postage and handling fees, and a  
10 weekly support service fee for web order maintenance, and advertising support. Retailers also order  
11 from Moran Foods store equipment and advertising materials, and receive training.

12           10. Retailers operate Save-A-Lot stores on the condition that they adhere strictly to Moran  
13 Food’s standards and specifications, along with operational and merchandizing requirements,  
14 including but not limited to, the limited-assortment, discount-grocery store concept with a primary  
15 emphasis on private label Save-A-Lot products distributed by Moran Foods, an overall image  
16 portrayed by store marks with product stocked in cases on approved fixtures with approved  
17 equipment, and that the store comply with interior layout and store design displaying approved  
18 interior and exterior signage including item priced signs.

19           11. Failure to adhere to Moran Food’s standards and specifications constitutes material  
20 breach of the retailer’s agreement and results in termination of the contract. Retailers must also agree  
21 to comply with any future modifications to the Retailer Program and additional investment, and agree  
22 to Moran Food’s right to enter the premises and inspect and observe the retailer’s conduct of  
23 business.

24           12. Retailers cannot order product or other merchandise outside of the Save-A-Lot network,  
25 nor can they use other equipment or the Save-A-Lot name in ways other than as specified without the  
26 prior written consent of Moran Foods.

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