

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of

**Cerberus Institutional Partners V, L.P.
a limited partnership;**

**AB Acquisition LLC,
a limited liability company;**

**and
Safeway Inc.,
a corporation**

**Docket No. C-4504
PUBLIC VERSION**

**APPLICATION FOR APPROVAL OF PROPOSED SALE OF
SUPERVALU ASSETS TO SAAR'S AND REQUEST FOR EXPEDITED TREATMENT**

Pursuant to Section 2.41(f) of the Federal Trade Commission ("Commission") Rules of Practice and Procedure, 16 C.F.R § 2.41(f) (2016), and Paragraph VII of the Commission's Decision and Order in the above-captioned matter, SuperValu Inc. ("SuperValu") hereby petitions the Commission to approve the proposed sale of a supermarket located in Lake Stevens, Washington to Saar's Inc. ("Saar's") and affiliates.

I. INTRODUCTION

On March 6, 2014, AB Acquisition LLC ("Albertson's") and Safeway Inc. ("Safeway") entered into an agreement whereby Albertson's would acquire all outstanding shares of Safeway in a transaction valued at approximately \$9.2 billion. On January 17, 2015, the Commission issued a complaint alleging that the transaction would substantially lessen competition for the retail sale of food and other grocery products in supermarkets located in 130 local markets. On the same day, the Commission accepted an Agreement Containing Consent Order, including a proposed Decision and Order and an Order to Maintain Assets, resolving the charges in the

complaint. Following a public comment period, the Commission approved the final Decision and Order (“Order”) on July 2, 2015.

The Order required Albertson’s, its parent company Cerberus Institutional Partners V, L.P., and Safeway to divest 168 supermarkets located in Arizona, California, Nevada, Oregon, and Washington to various approved buyers. Paragraph II.A.4 of the Order required the divestiture of two supermarkets to SuperValu within 100 days of closing: (1) Albertson’s Store No. 459, located at 14019 Woodinville-Duvall Road, Woodinville, Washington (King County); and (2) Albertson’s Store No. 477, located at 303 91st Avenue NE, Lake Stevens, Washington (Snohomish County) (“Lake Stevens Store”) (collectively, the “SuperValu Divestiture Assets”). The Order further provides that for three years following the Order’s date of issuance, SuperValu must obtain the Commission’s prior approval for the sale of any SuperValu Divestiture Assets, and may only sell such assets to a buyer approved by the Commission.

SuperValu has entered into a definitive agreement to sell the Lake Stevens Store to Saar’s (“Transaction”). SuperValu hereby requests the Commission to approve the proposed Transaction. This petition outlines the principal terms of the Transaction, describes SuperValu’s rationale for the proposed Transaction and its efforts to shop the assets to potential buyers, and explains why the proposed Transaction merits Commission approval. The Commission should approve the proposed Transaction because (1) [REDACTED] Saar’s is a strong value-driven supermarket operator with a proven track record of success in markets such as Lake Stevens; and (2) Saar’s has the financial strength, operational capability, and strategic direction necessary to operate the Lake Stevens Store competitively, as well as a commitment to grow using SuperValu

as its wholesaler. For these reasons, sale of the Lake Stevens Store to Saar's will promote competition and advance the objectives of the Commission's Order.

II. REQUEST FOR EXPEDITED TREATMENT

SuperValu desires to complete the proposed Transaction as soon as possible following Commission approval. The Lake Stevens Store has been closed since September 2016. Expedited review and consummation of the transaction would allow Saar's to reopen the store quickly, move forward with its business plans to operate the store competitively, and provide a valuable competitive alternative to consumers in the Lake Stevens area. It would also enable SuperValu to mitigate its continuing losses from holding this closed store. In light of these circumstances and the clear bases for approval set forth below, SuperValu requests that the Commission shorten the customary 30-day public comment period as permitted under Section 2.41(f)(2) of the Commission Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(2), and approve the proposed Transaction by February 25, 2017, which marks the end of SuperValu's fiscal year.

III. TRANSACTION DESCRIPTION

On January 12, 2017, a Purchase and Sale Agreement ("PSA"), attached herewith as Exhibit A, was executed by and between SUPERVALU WA, L.L.C.; SUPERVALU Holdings, Inc. (collectively, "SUPERVALU"); Saar Properties VIII, LLC; and Saar's Inc. (collectively, "SAAR"). Pursuant to the PSA, SUPERVALU will sell to SAAR the Lake Stevens Store, located at 303 91st Avenue NE, Lake Stevens, Washington (Snohomish County) ("Property"), certain improvements thereto ("Improvements"), and all furniture, equipment, trade fixtures, and personal property located therein ("FFE"). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

IV. TRANSACTION RATIONALE

A. SuperValu's Reasons for Pursuing the Transaction

SuperValu acquired the Lake Stevens Store on April 30, 2015. SuperValu operated the store as a company-owned County Market from May 2015 until September 2016, when it closed the store due to poor performance [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] SuperValu's costs to maintain the closed store are significant.

B. Saar's is a Successful Value-Driven Supermarket Retailer

Saar's is an independent, value-driven supermarket retailer headquartered in Auburn, Washington. Since opening its first store in 1988, Saar's has expanded to nine stores in the greater Puget Sound area.¹ Saar's value-driven retail format is focused on tailoring each store's merchandise and footprint to the demographics of the surrounding community. Saar's has had success with this value-driven format. The company had 2015 sales of approximately [REDACTED]

[REDACTED]. Saar's financial statements for the last three years (2014, 2015, and 2016 through October 2016), and its most recent, regularly prepared balance sheet (Q3

¹ Saar's currently owns and operates stores in Port Orchard, Parkland, Renton, Oak Harbor, Seattle, Tukwila, Bremerton, and Auburn. The nearest Saar's store to the Lake Stevens Store is 38 miles away, in Renton, a suburb of Seattle. [REDACTED]

2016) are attached herewith as Exhibits B, C, and D. A company profile of Saar's is attached herewith as Exhibit E.

C. Saar's is a Financially Sound Buyer Capable of Operating the Lake Stevens Store Competitively

SuperValu marketed the Lake Stevens Store to several SuperValu-supplied retailers, non-SuperValu-supplied retailers, and third-party real estate developers. SuperValu would prefer to sell the Lake Stevens Store to an independent grocery store operator, with SuperValu as the supplier. After shopping the store to a number of potential buyers, SuperValu concluded that Saar's offered the best fit due to (1) its proven track record of success with its value-driven format in markets similar to Lake Stevens; (2) its ability to fill a competitive need in the Lake Stevens community; (3) its overall financial and operational strength, including robust sales expectations; and (4) its desire to grow using SuperValu as its wholesaler.

V. CONCLUSION

For the foregoing reasons, SuperValu respectfully requests that the Commission expeditiously approve the proposed Transaction as soon as practicable during the public comment period, and in any event before February 25, 2017.

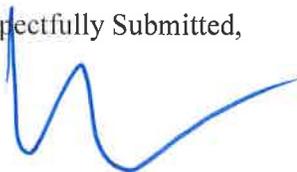
VI. REQUEST FOR CONFIDENTIAL TREATMENT

This application contains confidential, competitively sensitive information regarding the transaction, the Lake Stevens Store, and the business activities of SuperValu and Saar's. Disclosure of this information would prejudice SuperValu and Saar's and harm the ability of each company to compete effectively. Accordingly, pursuant to Sections 2.41(f)(4), 4.9(c), and 4.10(a)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. §§ 2.41(f)(4), 4.9(c), 4.10(a)(2), and Sections 6(f) and 21(c) of the Federal Trade Commission Act, 15 U.S.C. §§ 46(f), 57b-2(c), SuperValu requests that this information be treated as strictly confidential. In

PUBLIC

accordance with Section 4.2(d) of the Commission's Rules of Practice and Procedure, SuperValu is submitting a public version of the application with confidential information redacted, as well as a confidential version including such information.

Respectfully Submitted,



Vishal Mehta
Baker Botts LLP
1299 Pennsylvania Ave., NW
Washington, D.C. 20004

Counsel for SuperValu, Inc.

Dated: February 6, 2017

Exhibit A
Purchase and Sale Agreement
REDACTED

Exhibit B

Saar's, Inc. Financial Statement (2014)

REDACTED

Exhibit C

Saar's, Inc. Financial Statement (2015)

REDACTED

Exhibit D

Saar's, Inc. Financial Statement and Balance Sheet
(2016)

REDACTED

Exhibit E
Saar's Inc. Company Profile

Retailer Profile

<p><i>Name of Retailer</i></p>	<p>Saar's Marketplace & Saar's Super Saver</p> 
<p><i>Office Address</i></p>	<p>1702 Auburn Way N Auburn, WA. 98002</p>
<p><i>Key Retailer Players (Name/Title)</i></p>	<p>Greg Saar, Owner John Hames, General Manager Mary Garner, Buyer Brian Crofts, Meat & Deli Supervisor/Buyer</p>
<p><i>Brief Company History</i></p>	<p>Greg originally started with a Thriftway store in Oak Harbor nearly 3 decades ago. Since then they have re-invented the company into a powerhouse organization focused as a price operator that also caters to the various ethnic communities surrounding their locations. Each store is merchandised differently depending on the ethnic demographics of the community they serve. The most recent location in Auburn is their largest store at 65,000 square feet. Saar's currently has 9 locations located in the greater Puget Sound area. The locations are in Port Orchard, Parkland, Renton, Oak Harbor, Seattle (2), Tukwila, Bremerton & Auburn.</p>

Following is from a news release done at the opening of the White Center location:

When Greg Saar opened the first Saar's Market Place grocery store in 1988, the company was founded on a platform of providing variety and value. Over the last 20 years, Saar's has taken that platform, originally built in Oak Harbor, Wash., and successfully expanded to 9 locations thanks to the work of long tenured employees.

"We always say we are both a great place to work and shop," said John Hames, general manager. "We have some people who have been here for 20 years, we have less turnover and better loyalty than others, and the senior staff, store directors, and store staff are really the ones driving this business."

Each Saar's location is different. Saar's doesn't have a specific footprint for each store. Instead, the company takes a niche marketing approach based on appealing to the demographic around the store. The key is finding a location with a

population looking for the variety and value Saar's stores offer. Some locations are tailored to local ethnic groups. Hames said each store has a different concentration of Hispanic, Asian, Eastern European, or traditional American consumers. "We market each store according to its specific demographic while keeping with our overall strategy," he said.

The company drives its center store with what it calls category killers. Although Saar's may not have a particularly deep SKU count, the company will source extreme value items and display them in four-foot display bunkers within their product category. The idea is to drive sales and the Saar's price image through merchandising category killers.

This is important given current economic conditions. Hames said Saar's customers are looking for more value than ever. Since Saar's is a value-driven store, this presents an opportunity with customers who are looking to make the change from national brands to private labels. Hames said the company has seen a dramatic increase in coupon sales. Saar's has a weekly flyer and an active web-site that highlights a different event each week, be it a meat sale, produce sale, or \$0.99 sale.

"We are event-driven, and we drive our sales based on those events," Hames said. "We don't use a loyalty card program because we feel that loyalty is old fashioned and earned with good pricing for everyone, good service, clean stores, and special events to make a fun shopping experience. That will drive loyalty the old fashioned way—by earning it."

Greg Saar – left, Kyle Saar – right



John Hames – left, Mary Garner – right



White Center, Seattle





White Center Grand Opening



Bunker Merchandising – White Center



AUBURN STORE











