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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 7th 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.
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 7th 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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1 13. Moran, Shaner, and Moran Food's offers and/or sales of franchises in California have not
2 been registered under the Franchise Investment Law and are not exempted under Chapter 1,
3 beginning with Corporations Code section 31100, of that law.

4 Based upon the foregoing findings, the California Corporations Commissioner is of the
5 opinion that William M. Moran, Jr., William M. Shaner, and Moran Foods, Inc. doing business as
6 Save-A-Lot, Ltd. are offering and/or selling Save-A-Lot franchises in California that are subject to
7 registration under the Franchise Investment Law without the offers first being registered in violation
8 of Corporations Code section 31110. Pursuant to section 31402 of the Corporations Code, Moran
9 Foods, Inc. doing business as Save-A-Lot, Ltd. is hereby ordered to desist and refrain from the
10 further offer or sale of Save-A-Lot franchises unless and until the offers have been duly registered
11 under the Franchise Investment Law. This Order is necessary, in the public interest, for the
12 protection of investors and consistent with the purposes, policies and provisions of the Corporate
13 Securities Law of 1968.

14 Dated: September 25, 2007
15 Sacramento, California

16 PRESTON DuFAUCHARD
17 California Corporations Commissioner

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19 By _____
20 SHARON A. LUERAS
21 Lead Corporations Counsel
22 Enforcement Division
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