

SUPERVALU INC  
Form 10-Q  
July 28, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period (16 weeks) ended June 19, 2010.  
OR**

**○ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_ to \_\_\_.**

**Commission File Number: 1-5418  
SUPERVALU INC.**

**(Exact name of registrant as specified in its charter)**

**DELAWARE**

**41-0617000**

**(State or other jurisdiction of incorporation or organization)**

**(I.R.S. Employer Identification No.)**

**11840 VALLEY VIEW ROAD  
EDEN PRAIRIE, MINNESOTA**

**55344**

**(Address of principal executive offices)**

**(Zip Code)**

**(952) 828-4000**

**(Registrant's telephone number, including area code)**

**N/A**

**(Former name, former address and former fiscal year, if changed since last report)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of July 23, 2010, there were 212,149,198 shares of the issuer's common stock outstanding.



**SUPERVALU INC. and Subsidiaries**  
**Quarterly Report on Form 10-Q**  
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**Table of Contents****PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**SUPERVALU INC. and Subsidiaries**  
**CONDENSED CONSOLIDATED SEGMENT FINANCIAL INFORMATION**  
**(Unaudited)**  
**(In millions, except percent data)**

	<b>First Quarter Ended</b>	
	<b>June 19, 2010</b>	<b>June 20, 2009</b>
<b>Net sales</b>		
Retail food	\$ 8,951	\$ 9,900
% of total	77.5%	77.9%
Supply chain services	2,594	2,815
% of total	22.5%	22.1%
 Total net sales	 \$ 11,545	 \$ 12,715
	100.0%	100.0%
 <b>Operating earnings</b>		
Retail food	\$ 251	\$ 311
% of sales	2.8%	3.1%
Supply chain services	79	82
% of sales	3.0%	2.9%
Corporate	(29)	(31)
 Total operating earnings	 301	 362
% of sales	2.6%	2.8%
<b>Interest expense, net</b>	174	177
 <b>Earnings before income taxes</b>	 127	 185
<b>Income tax provision</b>	60	72
 <b>Net earnings</b>	 \$ 67	 \$ 113

The Company's business is classified by management into two reportable segments: Retail food and Supply chain services. These reportable segments are two distinct businesses, one retail and one wholesale, each with a different customer base, marketing strategy and management structure. The Retail food reportable segment is an aggregation of the Company's retail operating segments, which are organized based on format (traditional retail food stores and hard-discount food stores). The Retail food reportable segment derives revenues from the sale of groceries at retail locations operated by the Company (both the Company's own stores and stores licensed by the Company). The Supply chain services reportable segment derives revenues from wholesale distribution to independently-owned retail food stores, mass merchants and other customers (collectively referred to as independent retail customers) and logistics support services. Substantially all of the Company's operations are domestic.

See Notes to Condensed Consolidated Financial Statements.

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**SUPERVALU INC. and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
**(Unaudited)**

(In millions, except percent and per share data)

	First Quarter Ended			
	June 19,	% of	June 20,	% of
	2010	Net	2009	Net
		sales		sales
Net sales	\$ 11,545	100.0%	\$ 12,715	100.0%
Cost of sales	8,948	77.5	9,868	77.6
<b>Gross profit</b>	2,597	22.5	2,847	22.4
Selling and administrative expenses	2,296	19.9	2,485	19.6
<b>Operating earnings</b>	301	2.6	362	2.8
Interest expense, net	174	1.5	177	1.4
<b>Earnings before income taxes</b>	127	1.1	185	1.5
Income tax provision	60	0.5	72	0.6
<b>Net earnings</b>	\$ 67	0.6%	\$ 113	0.9%
<b>Net earnings per share basic</b>	\$ 0.31		\$ 0.53	
<b>Net earnings per share diluted</b>	\$ 0.31		\$ 0.53	
<b>Dividends declared per share</b>	\$ 0.0875		\$ 0.1725	
Weighted average number of shares outstanding:				
Basic	212		212	
Diluted	213		212	

See Notes to Condensed Consolidated Financial Statements.

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**SUPERVALU INC. and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
**SUPERVALU INC. and Subsidiaries**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except par value data)

	<b>June 19, 2010 (Unaudited)</b>	<b>February 27, 2010</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 198	\$ 211
Receivables, net	805	814
Inventories	2,329	2,342
Other current assets	174	344
<b>Total current assets</b>	<b>3,506</b>	<b>3,711</b>
<b>Property, plant and equipment, net</b>	<b>6,902</b>	<b>7,026</b>
<b>Goodwill</b>	<b>3,700</b>	<b>3,698</b>
<b>Intangible assets, net</b>	<b>1,476</b>	<b>1,493</b>
<b>Other assets</b>	<b>539</b>	<b>508</b>
<b>Total assets</b>	<b>\$ 16,123</b>	<b>\$ 16,436</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,713	\$ 2,775
Current maturities of long-term debt and capital lease obligations	679	613
Other current liabilities	723	779
<b>Total current liabilities</b>	<b>4,115</b>	<b>4,167</b>
<b>Long-term debt and capital lease obligations</b>	<b>6,720</b>	<b>7,022</b>
<b>Other liabilities</b>	<b>2,341</b>	<b>2,360</b>
<b>Commitments and contingencies</b>		
<b>Stockholders equity</b>		
Common stock, \$1.00 par value: 400 shares authorized; 230 shares issued	230	230
Capital in excess of par value	2,853	2,857
Accumulated other comprehensive loss	(467)	(478)
Retained earnings	854	806
Treasury stock, at cost, 18 and 18 shares, respectively	(523)	(528)
<b>Total stockholders equity</b>	<b>2,947</b>	<b>2,887</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 16,123</b>	<b>\$ 16,436</b>

See Notes to Condensed Consolidated Financial Statements.



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**SUPERVALU INC. and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In millions)**

	<b>First Quarter Ended</b>	
	<b>June 19,</b>	<b>June 20,</b>
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net earnings	\$ 67	\$ 113
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	288	297
LIFO charge	11	18
Asset impairment and other charges	21	5
Gain on sale of assets	(9)	(2)
Deferred income taxes	7	(5)
Stock-based compensation	5	13
Other	8	9
Changes in operating assets and liabilities	(61)	44
<b>Net cash provided by operating activities</b>	<b>337</b>	<b>492</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of assets	79	10
Purchases of property, plant and equipment	(173)	(238)
Other	11	5
<b>Net cash used in investing activities</b>	<b>(83)</b>	<b>(223)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt	15	948
Payment of long-term debt and capital lease obligations	(241)	(1,106)
Dividends paid	(37)	(73)
Other	(4)	(3)
<b>Net cash used in financing activities</b>	<b>(267)</b>	<b>(234)</b>
Net (decrease) increase in cash and cash equivalents	(13)	35
Cash and cash equivalents at beginning of year	211	240
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 198</b>	<b>\$ 275</b>

See Notes to Condensed Consolidated Financial Statements.

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**SUPERVALU INC. and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(Dollars and shares in millions, except per share data)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Statement of Registrant*

The accompanying condensed consolidated financial statements of the Company for the first quarter ended June 19, 2010 and June 20, 2009 are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary to present fairly the financial condition and results of operations for such periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010. The results of operations for the first quarter ended June 19, 2010 are not necessarily indicative of the results expected for the full year. The Condensed Consolidated Balance Sheet as of February 27, 2010 has been derived from the audited Consolidated Balance Sheet as of that date.

*Accounting Policies*

The summary of significant accounting policies is included in the Notes to Consolidated Financial Statements set forth in the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

*Fiscal Year*

The Company's fiscal year ends on the last Saturday in February. The Company's first quarter consists of 16 weeks, while the second, third and fourth quarters each consist of 12 weeks. Because of differences in the accounting calendars of the Company and its wholly-owned subsidiary, New Albertson's, Inc., the accompanying June 19, 2010 and February 27, 2010 Condensed Consolidated Balance Sheets include the assets and liabilities related to New Albertson's, Inc. as of June 17, 2010 and February 25, 2010, respectively.

*Use of Estimates*

The preparation of the Company's condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company's banking arrangements allow the Company to fund outstanding checks when presented to the financial institution for payment, resulting in book overdrafts. Book overdrafts are recorded in Accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheets and are reflected as an operating activity in the Condensed Consolidated Statements of Cash Flows. As of June 19, 2010 and February 27, 2010, the Company had net book overdrafts of \$301 and \$330, respectively.

**Table of Contents***Net Earnings Per Share*

Basic net earnings per share is calculated using net earnings available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted net earnings per share is similar to basic net earnings per share except that the weighted average number of shares outstanding is after giving effect to the dilutive impacts of stock options, restricted stock awards and other dilutive securities.

The following table reflects the calculation of basic and diluted net earnings per share:

	<b>First Quarter Ended</b>	
	<b>June 19, 2010</b>	<b>June 20, 2009</b>
Net earnings per share basic		
Net earnings available to common stockholders	\$ 67	\$ 113
Weighted average shares outstanding basic	212	212
Net earnings per share basic	\$ 0.31	\$ 0.53
Net earnings per share diluted		
Net earnings available to common stockholders	\$ 67	\$ 113
Weighted average shares outstanding basic	212	212
Dilutive impact of options and restricted stock outstanding	1	
Weighted average shares outstanding diluted	213	212
Net earnings per share diluted	\$ 0.31	\$ 0.53

Options and restricted stock of 21 and 22 shares were outstanding during the first quarter ended June 19, 2010 and June 20, 2009, respectively, but were excluded from the computation of diluted earnings per share because they were antidilutive.

*Comprehensive Income*

Comprehensive income consisted of the following:

	<b>First Quarter Ended</b>	
	<b>June 19, 2010</b>	<b>June 20, 2009</b>
Net earnings	\$ 67	\$ 113
Pension and other postretirement activity, net of tax	11	5
Comprehensive income	\$ 78	\$ 118

**Table of Contents****NOTE 2 GOODWILL AND INTANGIBLE ASSETS**

Changes in the Company's Goodwill and Intangible assets consisted of the following:

	February 27, 2010	Additions	Impairments	Other net adjustments	June 19, 2010
Goodwill:					
Retail food goodwill	\$ 6,114	\$	\$	\$ 2	\$ 6,116
Accumulated impairment losses	(3,223)				(3,223)
Total Retail food goodwill, net	2,891			2	2,893
Supply chain services goodwill	807				807
Total goodwill	\$ 3,698	\$	\$	\$ 2	\$ 3,700

	February 27, 2010	Additions/ Amortization	Impairments	Other net adjustments	June 19, 2010
Intangible assets:					
Trademarks and tradenames – indefinite useful lives	\$ 1,049	\$	\$	\$	\$ 1,049
Favorable operating leases, customer lists, customer relationships and other (accumulated amortization of \$254 and \$238 as of June 19, 2010 and February 27, 2010, respectively)	674	1		(2)	673
Non-compete agreements (accumulated amortization of \$5 and \$5 as of June 19, 2010 and February 27, 2010, respectively)	13				13
Total intangible assets	1,736	1		(2)	1,735
Accumulated amortization	(243)	(18)		2	(259)
Total intangible assets, net	\$ 1,493				\$ 1,476

Amortization expense of intangible assets with definite useful lives was \$18 for the first quarter ended June 19, 2010. Future amortization expense will be approximately \$43 per fiscal year for each of the next five fiscal years.

**NOTE 3 RESERVES FOR CLOSED PROPERTIES**

The Company maintains reserves for costs associated with closures of retail stores, distribution centers and other properties that are no longer being utilized in current operations. The Company provides for closed property operating lease liabilities using a discount rate to calculate the present value of the remaining noncancellable lease payments after the closing date, reduced by estimated subtenant rentals that could be reasonably obtained for the property. Adjustments to closed property reserves primarily relate to changes in subtenant income or actual exit costs differing from original estimates. Adjustments are made for changes in estimates in the period in which the changes become known.

Changes in the Company's reserves for closed properties consisted of the following:

	<b>June 19, 2010</b>
Balance at beginning of fiscal year	\$ 128
Additions	15
Payments	(9)
Adjustments	(3)
Balance at end of quarter	\$ 131

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**NOTE 4 FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair value measurements, as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 - Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions

that market participants would use to value the asset or liability.

During the first quarter ended June 19, 2010, the Company recorded \$10 of asset impairment charges, which were measured at fair value using Level 3 inputs. The impairment charges are a component of Selling and administrative expenses in the Condensed Consolidated Statements of Earnings.

*Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, receivables and accounts payable, the fair values approximate book values due to their short maturities.

The estimated fair value of notes receivable was greater than the book value by approximately \$1 as of June 19, 2010 and was less than the book value by approximately \$1 as of February 27, 2010. Notes receivable are valued based on a discounted cash flow approach applying a rate that is comparable to publicly traded instruments of similar credit quality.

The estimated fair value of the Company's long-term debt (including current maturities) was less than the book value by approximately \$143 and \$54 as of June 19, 2010 and February 27, 2010, respectively. The estimated fair value was based on market quotes, where available, or market values for similar instruments.

**Table of Contents****NOTE 5 LONG-TERM DEBT**

The Company's long-term debt and capital lease obligations consisted of the following:

	<b>June 19, 2010</b>	<b>February 27, 2010</b>
1.17% to 4.50% Revolving Credit Facility and Variable Rate Notes due June 2011 October 2015	\$ 1,381	\$ 1,415
8.00% Notes due May 2016	1,000	1,000
7.45% Debentures due August 2029	650	650
7.50% Notes due February 2011	648	679
7.50% Notes due November 2014	490	490
6.34% to 7.15% Medium Term Notes due July 2012 June 2028	440	440
8.00% Debentures due May 2031	400	400
7.50% Notes due May 2012	300	300
8.00% Debentures due June 2026	272	272
8.70% Debentures due May 2030	225	225
7.75% Debentures due June 2026	200	200
7.25% Notes due May 2013	200	200
7.90% Debentures due May 2017	96	96
Accounts Receivable Securitization Facility	40	
8.35% Notes due May 2010		155
Other	104	104
Net discount on debt, using an effective interest rate of 6.28% to 8.97%	(256)	(258)
Capital lease obligations	1,209	1,267
<b>Total debt and capital lease obligations</b>	<b>7,399</b>	<b>7,635</b>
<b>Less current maturities of long-term debt and capital lease obligations</b>	<b>(679)</b>	<b>(613)</b>
<b>Long-term debt and capital lease obligations</b>	<b>\$ 6,720</b>	<b>\$ 7,022</b>

Certain of the Company's credit facilities and long-term debt agreements have restrictive covenants and cross-default provisions which generally provide, subject to the Company's right to cure, for the acceleration of payments due in the event of a breach of the covenant or a default in the payment of a specified amount of indebtedness due under certain other debt agreements. The Company was in compliance with all such covenants and provisions for all periods presented.

During fiscal 2007, the Company entered into senior secured credit facilities provided by a group of lenders consisting of a five-year revolving credit facility (the Revolving Credit Facility), a five-year term loan (Term Loan A) and a six-year term loan (Term Loan B). On April 5, 2010, the Company entered into an Amended and Restated Credit Agreement (the Credit Agreement), which provides for an extension of the maturity of portions of the senior secured credit facilities provided under the original credit agreement. Specifically, \$1,500 of the Revolving Credit Facility was extended until April 5, 2015 and \$500 of Term Loan B was extended until October 5, 2015. The remaining \$600 of the Revolving Credit Facility will expire on June 2, 2011 and the remaining \$502 of Term Loan B will mature on June 2, 2012. The maturity date of Term Loan A was not extended and will mature on June 2, 2011.

As of June 19, 2010, there was \$13 of outstanding borrowings under the Revolving Credit Facility at 4.50 percent, Term Loan A had a remaining principal balance of \$366 at LIBOR plus 0.875 percent, all of which was classified as current, the non-extended portion of Term Loan B had a remaining principal balance of \$502 at LIBOR plus 1.25 percent, of which \$5 was classified as current, and the extended portion of Term Loan B had a remaining principal balance of \$500 at LIBOR plus 2.75 percent, of which \$5 was classified as current. Letters of credit outstanding under the Revolving Credit Facility were \$332 and the unused available credit under the Revolving Credit

Facility was \$1,755. These letters of credit primarily support workers' compensation and payment obligations. The Credit Agreement reset covenants which are generally less restrictive than the covenants that existed prior to April 5, 2010. Specifically, the Company must maintain a leverage ratio no greater than 4.25 to 1.0 through December 30, 2011, 4.0 to 1.0 from December 31, 2011 through December 30, 2012 and 3.75 to 1.0 thereafter. Additionally, the Company must maintain an interest expense coverage ratio of not less than 2.20 to 1.0 through December 30, 2011, 2.25 to 1.0 from December 31, 2011 through December 30, 2012 and 2.30 to 1.0 thereafter. In May 2010, the Company amended and extended its accounts receivable securitization program until May 2013. The Company can borrow up to \$200 on a revolving basis, with borrowings secured by eligible accounts receivable, which remain under the Company's control. The facility fee in effect on June 19, 2010, based on the Company's current credit ratings, was 0.80 percent. As of June 19, 2010, there were \$286 of accounts receivable pledged as collateral, classified in Receivables in the Condensed Consolidated Balance Sheet.

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As of June 19, 2010, the Company had \$479 of debt with current maturities that are classified in Long-term debt in the Condensed Consolidated Balance Sheets due to the Company's intent to refinance such obligations with the Revolving Credit Facility or other long-term debt.

**NOTE 6 INCOME TAXES**

During the first quarter ended June 19, 2010 there were no material changes to the unrecognized tax benefits disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010. The Company does not anticipate that its total unrecognized tax benefits will change significantly in the next 12 months.

**NOTE 7 STOCK-BASED AWARDS**

The Company recognized pre-tax stock-based compensation expense (included primarily in Selling and administrative expenses in the Condensed Consolidated Statements of Earnings) related to stock-based awards of \$5 and \$13 for the first quarter ended June 19, 2010 and June 20, 2009, respectively.

The Company granted 3 shares under stock options during the first quarter ended June 19, 2010 and June 20, 2009. To calculate the fair value of stock options, the Company uses the Black-Scholes option pricing model. The significant weighted average assumptions relating to the valuation of the Company's stock options consisted of the following:

	<b>June 19, 2010</b>	<b>June 20, 2009</b>
Dividend yield	2.0 %	2.0 %
Volatility rate	43.2 44.2 %	41.3 42.2 %
Risk-free interest rate	1.6 %	1.9 2.0 %
	4.0 4.5	4.0 4.5
Expected option life	years	years

The weighted average grant date fair value of the stock options granted during the first quarter ended June 19, 2010 and June 20, 2009 was \$4.02 and \$4.93, respectively.

**NOTE 8 TREASURY STOCK PURCHASE PROGRAM**

On June 24, 2010, the Board of Directors of the Company adopted and announced a new annual share purchase program authorizing the Company to purchase up to \$70 of the Company's common stock. Stock purchases will be made primarily from the cash generated from the settlement of stock options. This annual authorization program replaced the previously existing share purchase program and continues through June 2011. During the first quarter ended June 19, 2010 the Company purchased 0.2 shares under the previously existing share purchase program at an average cost of \$12.97 per share. The Company did not purchase any shares under any share purchase programs during the first quarter ended June 20, 2009.

**Table of Contents****NOTE 9 BENEFIT PLANS**

Substantially all employees of the Company are covered by various contributory and non-contributory pension, profit sharing or 401(k) plans. Union employees participate in multi-employer retirement plans under collective bargaining agreements, unless the collective bargaining agreement provides for participation in plans sponsored by the Company. In addition to sponsoring both defined benefit and defined contribution pension plans, the Company provides healthcare and life insurance benefits for eligible retired employees under postretirement benefit plans and short-term and long-term disability benefits to former and inactive employees prior to retirement under post-employment benefit plans. The terms of the postretirement benefit plans vary based on employment history, age and date of retirement. For most retirees, the Company provides a fixed dollar contribution and retirees pay contributions to fund the remaining cost.

Net periodic benefit expense (income) for defined benefit pension plans and other postretirement benefit plans consisted of the following:

	First Quarter Ended			
	Pension Benefits		Other Postretirement Benefits	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
Service cost	\$ 2	\$ 2	\$ 1	\$ 1
Interest cost	42	42	2	2
Expected return on assets	(38)	(39)		
Amortization of prior service benefit			(2)	(2)
Amortization of net actuarial loss	21	3	1	1
Net periodic benefit expense	\$ 27	\$ 8	\$ 2	\$ 2

During the first quarter ended June 19, 2010, the Company made contributions of \$40 to its pension plans and \$2 to its other postretirement benefit plans.

*Multi-Employer Plans*

The Company contributes to various multi-employer pension plans under collective bargaining agreements, primarily defined benefit pension plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. Based on available information, the Company believes that some of the multi-employer plans to which it contributes are underfunded. Company contributions to these plans could increase in the near term. However, the amount of any increase or decrease in contributions will depend on a variety of factors, including the results of the Company's collective bargaining efforts, investment returns on the assets held in the plans, actions taken by the trustees who manage the plans and requirements under the Pension Protection Act and Section 412(e) of the Internal Revenue Code. Furthermore, if the Company was to significantly reduce contributions, exit certain markets or otherwise cease making contributions to these plans, it could trigger a partial or complete withdrawal that would require the Company to fund its proportionate share of a plan's unfunded vested benefits. During the first quarter ended June 19, 2010 and June 20, 2009, the Company contributed \$42 and \$44 to these plans, respectively.

The Company also makes contributions to multi-employer health and welfare plans in amounts set forth in the related collective bargaining agreements. A small minority of collective bargaining agreements contain reserve requirements that may trigger unanticipated contributions resulting in increased healthcare expenses. If these healthcare provisions cannot be renegotiated in a manner that reduces the prospective healthcare cost as the Company intends, the Company's selling and administrative expenses could increase in the future.

**NOTE 10 COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS***Guarantees*

The Company has guaranteed certain leases, fixture financing loans and other debt obligations of various retailers as of June 19, 2010. These guarantees were generally made to support the business growth of independent retail

customers. The guarantees are generally for the entire terms of the leases or other debt obligations with remaining terms that range from less than one year to 21 years, with a weighted average remaining term of approximately eight years. For each guarantee issued, if the independent retail customer defaults on a payment, the Company would be required to make payments under its guarantee. Generally, the guarantees are secured by indemnification agreements or personal guarantees of the independent retail customer. The Company reviews performance risk related to its guarantees of independent retail customers based on internal measures of credit performance. As of June 19, 2010, the maximum amount of undiscounted payments the Company would be required to make in the event of default of all of these guarantees was \$126 and represented \$94 on a discounted basis. Based on the indemnification agreements, personal guarantees and results of the reviews of performance risk, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote. Accordingly, no amount has been recorded in the Condensed Consolidated Balance Sheets for these contingent

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obligations under the Company's guarantee arrangements.

The Company is contingently liable for leases that have been assigned to various third parties in connection with facility closings and dispositions. The Company could be required to satisfy the obligations under the leases if any of the assignees are unable to fulfill their lease obligations. Due to the wide distribution of the Company's assignments among third parties, and various other remedies available, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote.

In the ordinary course of business, the Company enters into supply contracts to purchase products for resale. These contracts typically include volume commitments or fixed expiration dates, termination provisions and other standard contractual considerations. As of June 19, 2010, the Company had \$1,571 of non-cancelable future purchase obligations primarily related to supply contracts.

The Company is a party to a variety of contractual agreements under which the Company may be obligated to indemnify the other party for certain matters, which indemnities may be secured by operation of law or otherwise, in the ordinary course of business. These contracts primarily relate to the Company's commercial contracts, operating leases and other real estate contracts, financial agreements, agreements to provide services to the Company and agreements to indemnify officers, directors and employees in the performance of their work. While the Company's aggregate indemnification obligation could result in a material liability, the Company is not aware of any matters that are expected to result in a material liability.

*Legal Proceedings*

The Company is subject to various lawsuits, claims and other legal matters that arise in the ordinary course of conducting business, none of which, in management's opinion, is expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In September 2008, a class action complaint was filed against the Company, as well as International Outsourcing Services, LLC (IOS), Inmar, Inc., Carolina Manufacturer's Services, Inc., Carolina Coupon Clearing, Inc. and Carolina Services, in the United States District Court in the Eastern District of Wisconsin. The plaintiffs in the case are a consumer goods manufacturer, a grocery co-operative and a retailer marketing services company who allege on behalf of a purported class that the Company and the other defendants (i) conspired to restrict the markets for coupon processing services under the Sherman Act and (ii) were part of an illegal enterprise to defraud the plaintiffs under the Federal Racketeer Influenced and Corrupt Organizations Act. The plaintiffs seek monetary damages, attorneys' fees and injunctive relief. The Company intends to vigorously defend this lawsuit, however all proceedings have been stayed in the case pending the result of the criminal prosecution of certain former officers of IOS. Although this lawsuit is subject to the uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that the ultimate resolution of this lawsuit will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In December 2008, a class action complaint was filed in the United States District Court for the Western District of Wisconsin against the Company alleging that a 2003 transaction between the Company and C&S Wholesale Grocers, Inc. (C&S) was a conspiracy to restrain trade and allocate markets. In the 2003 transaction, the Company purchased certain assets of the Fleming Corporation as part of Fleming Corporation's bankruptcy proceedings and sold certain assets of the Company to C&S which were located in New England. Since December 2008, three other retailers have filed similar complaints in other jurisdictions. The cases have been consolidated and are proceeding in the United States District Court for the District of Minnesota. The complaints allege that the conspiracy was concealed and continued through the use of non-compete and non-solicitation agreements and the closing down of the distribution facilities that the Company and C&S purchased from the other. Plaintiffs are seeking monetary damages, injunctive relief and attorneys' fees. The Company is vigorously defending these lawsuits. On September 14, 2009, the United States Federal Trade Commission (FTC) issued a subpoena to the Company requesting documents related to the C&S transaction as part of the FTC's investigation into whether the Company and C&S engaged in unfair methods of competition. The Company is cooperating with the FTC. Although this matter is subject to the uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that the ultimate resolution of this lawsuit or the FTC investigation will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

On January 7, 2010, the Company received a subpoena from the Office of Inspector General for the Department of Health and Human Services Milwaukee Field Office in connection with an investigation of possible false or otherwise improper claims for payment under the Medicaid program. The subpoena requests retail pharmacy claims data for dual eligible customers (i.e., customers with both Medicaid and private insurance coverage), information concerning the Company's retail pharmacy claims processing systems, copies of pharmacy payor contracts and other documents and records. The Company is cooperating with the Office of Inspector General. Management cannot predict with certainty the timing or outcome of any review by the government of such information.

The Company is also involved in routine legal proceedings incidental to its operations. Some of these routine proceedings involve class allegations, many of which are ultimately dismissed. Management does not expect that the ultimate resolution of these legal proceedings will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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The statements above reflect management's current expectations based on the information presently available to the Company, however, predicting the outcomes of claims and litigation and estimating related costs and exposures involves substantial uncertainties that could cause actual outcomes, costs and exposures to vary materially from current expectations. In addition, the Company regularly monitors its exposure to the loss contingencies associated with these matters and may from time to time change its predictions with respect to outcomes and its estimates with respect to related costs and exposures and believes recorded reserves are adequate. It is possible, although management believes it is remote, that material differences in actual outcomes, costs and exposures relative to current predictions and estimates, or material changes in such predictions or estimates, could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

**NOTE 11 SEGMENT INFORMATION**

Refer to page 2 for the Company's segment information.

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****(Dollars and shares in millions, except per share data)****RESULTS OF OPERATIONS**

In the first quarter of fiscal 2011, Net sales were \$11,545 and Net earnings were \$67, or \$0.31 per basic and diluted share. In the first quarter of fiscal 2010, Net sales were \$12,715 and Net earnings were \$113, or \$0.53 per basic and diluted share. Results for the first quarter of fiscal 2011 included charges primarily related to previously announced retail market exits and the impact of a labor dispute of \$25 after tax, or \$0.12 per diluted share.

Weakness in the economy continued to negatively impact consumer confidence during the first quarter of fiscal 2011 and, as a result, consumers are spending less. In addition, low levels of inflation and continued value-focused competitive activity in fiscal 2011 pressured sales growth. If these consumer spending, inflationary and competitive trends continue, they could further impact the Company's sales and financial results for the remainder of fiscal 2011.

**FIRST QUARTER RESULTS****Net Sales**

Net sales for the first quarter of fiscal 2011 were \$11,545 compared with \$12,715 last year, reflecting decreased sales in both the Retail food and Supply chain services segments. Retail food sales were 77.5 percent of Net sales and Supply chain services sales were 22.5 percent of Net sales for the first quarter of fiscal 2011, compared with 77.9 percent and 22.1 percent, respectively, last year.

Retail food net sales for the first quarter of fiscal 2011 were \$8,951 compared with \$9,900 last year, a decrease of 9.6 percent. The decrease primarily reflects the change in retail sales of identical stores (defined as stores operating for four full quarters, including store expansions and excluding fuel and planned store closures) of negative 7.2 percent and the impact of market exits. The identical store retail sales performance was primarily the result of the challenging economic environment, heightened competitive activity and the impact of a labor dispute. Excluding the stores impacted by the labor dispute, the change in retail sales of the remaining identical stores was negative 6.5 percent. Total retail square footage at the end of the first quarter of fiscal 2011 was 65 million, a decrease of 6.1 percent from the first quarter of fiscal 2010. Total retail square footage, excluding previously announced retail market exits and other store closures, increased 0.8 percent over the first quarter of fiscal 2010.

Supply chain services net sales for the first quarter of fiscal 2011 were \$2,594 compared with \$2,815 last year. The decrease of 7.9 percent primarily reflects a national retail customer's previously announced plans to transition certain volume to self-distribution.

**Gross Profit**

Gross profit, as a percent of Net sales, was 22.5 percent in the first quarter of fiscal 2011 compared to 22.4 percent last year.

**Selling and Administrative Expenses**

Selling and administrative expenses, as a percent of Net sales, were 19.9 percent in the first quarter of fiscal 2011, compared with 19.6 percent last year. The increase primarily reflects reduced sales leverage that more than offset the savings achieved from ongoing cost reduction initiatives.

**Operating Earnings**

Operating earnings for the first quarter of fiscal 2011 were \$301 compared with \$362 last year. Retail food operating earnings for the first quarter of fiscal 2011 were \$251, or 2.8 percent of Retail food net sales, compared with \$311, or 3.1 percent of Retail food net sales last year. The decrease in Retail food operating earnings reflects lower sales, market exits and reduced sales leverage, partially offset by cost savings. Supply chain services operating earnings for the first quarter of fiscal 2011 were \$79, or 3.0 percent of Supply chain services net sales, compared with \$82, or 2.9 percent of Supply chain services net sales last year.

**Net Interest Expense**

Net interest expense was \$174 in the first quarter of fiscal 2011 compared with \$177 last year, primarily reflecting lower debt levels in the first quarter of fiscal 2011 compared to last year.

**Table of Contents****Income Tax Provision**

Income tax expense for the first quarter of fiscal 2011 was \$60, or 47.5 percent of earnings before income taxes, compared with income tax expense of \$72, or 38.7 percent of earnings before income taxes, last year. The first quarter of fiscal 2011 includes \$12 of tax expense, reflecting the impact of non-deductible goodwill related to market exits.

**Net Earnings**

Net earnings were \$67, or \$0.31 per basic and diluted share, in the first quarter of fiscal 2011 compared with net earnings of \$113, or \$0.53 per basic and diluted share, last year.

**LIQUIDITY AND CAPITAL RESOURCES**

Net cash provided by operating activities was \$337 for the first quarter of fiscal 2011 compared with \$492 last year. The decrease primarily reflects changes in working capital and reduced Net earnings.

Net cash used in investing activities was \$83 for the first quarter of fiscal 2011 compared with \$223 last year. The decrease primarily reflects higher proceeds from the sale of assets and lower capital spending in the first quarter of fiscal 2011 compared to last year.

Net cash used in financing activities was \$267 for the first quarter of fiscal 2011 compared with \$234 last year.

Management expects that the Company will continue to replenish operating assets with internally generated funds. There can be no assurance, however, that the Company's business will continue to generate cash flow at current levels. The Company will continue to obtain short-term or long-term financing from its credit facilities. Long-term financing will be maintained through existing and new debt issuances and its credit facilities. The Company's short-term and long-term financing abilities are believed to be adequate as a supplement to internally generated cash flows to fund capital expenditures and acquisitions as opportunities arise. Maturities of debt issued will depend on management's views with respect to the relative attractiveness of interest rates at the time of issuance and other debt maturities. Certain of the Company's credit facilities and long-term debt agreements have restrictive covenants and cross-default provisions which generally provide, subject to the Company's right to cure, for the acceleration of payments due in the event of a breach of the covenant or a default in the payment of a specified amount of indebtedness due under certain other debt agreements. The Company was in compliance with all such covenants and provisions for all periods presented.

On April 5, 2010, the Company entered into an Amended and Restated Credit Agreement (the "Credit Agreement"). The Credit Agreement provides for an extension of the maturity of portions of the senior secured credit facilities provided under the original credit agreement, which included a five-year revolving credit facility (the "Revolving Credit Facility"), a five-year term loan ("Term Loan A") and a six-year term loan ("Term Loan B"). Under the Credit Agreement, \$1,500 of the Revolving Credit Facility was extended until April 5, 2015 and \$500 of Term Loan B was extended until October 5, 2015. The remaining \$600 of the Revolving Credit Facility will expire on June 2, 2011 and the remaining \$502 of Term Loan B will mature on June 2, 2012. The maturity date of Term Loan A was not extended and will mature on June 2, 2011.

The fees and rates in effect on outstanding borrowings under the Credit Agreement are based on the Company's current credit ratings. Borrowings under the non-extended portion of the Revolving Credit Facility, if any, carry an interest rate of LIBOR plus 1.00 percent, borrowings under Term Loan A carry an interest rate of LIBOR plus 0.875 percent and borrowings under the non-extended portion of Term Loan B carry an interest rate of LIBOR plus 1.25 percent. Borrowings under the extended portion of the Revolving Credit Facility, if any, carry an interest rate of LIBOR plus 2.25 percent for revolving advances and Prime Rate plus 1.25 percent for base rate advances and borrowings under the extended portion of Term Loan B carry an interest rate of LIBOR plus 2.75 percent. Facility fees under the non-extended and extended portions of the Revolving Credit Facility are 0.20 percent and 0.50 percent, respectively. The Company pays fees of up to 2.50 percent on the outstanding balance of the letters of credit issued under the extended Revolving Credit Facility. Borrowings under the extended and non-extended term loans may be repaid, in full or in part, at any time without penalty.

The Credit Agreement reset covenants which are generally less restrictive than the covenants that existed prior to April 5, 2010. Specifically, the Company must maintain a leverage ratio no greater than 4.25 to 1.0 through December 30, 2011, 4.0 to 1.0 from December 31, 2011 through December 30, 2012 and 3.75 to 1.0 thereafter. Additionally, the Company must maintain an interest expense coverage ratio of not less than 2.20 to 1.0 through

December 30, 2011, 2.25 to 1.0 from December 31, 2011 through December 30, 2012 and 2.30 to 1.0 thereafter. All obligations under the senior secured credit facilities are guaranteed by each material subsidiary of the Company. The obligations are also secured by a pledge of the equity interests in those same material subsidiaries, limited as required by the existing public indentures of the Company, such that the respective debt issued need not be equally and ratably secured.

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In May 2010, the Company amended and extended its accounts receivable securitization program until May 2013. The Company can borrow up to \$200 on a revolving basis, with borrowings secured by eligible accounts receivable, which remain under the Company's control. The facility fee in effect on June 19, 2010, based on the Company's current credit ratings, was 0.80 percent. As of June 19, 2010, there were \$286 of accounts receivable pledged as collateral, classified in Receivables in the Condensed Consolidated Balance Sheet.

As of June 19, 2010, the Company had \$479 of debt with current maturities that are classified in Long-term debt in the Consolidated Balance Sheets due to the Company's intent to refinance such obligations with the Revolving Credit Facility or other long-term debt.

Capital spending during the first quarter of fiscal 2011 was \$173. Capital spending primarily included store remodeling activity and technology expenditures. The Company's capital spending for fiscal 2011 is projected to be approximately \$700, including capital leases.

Fiscal 2011 total debt reduction is estimated to be approximately \$600.

**COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS**

*Guarantees*

The Company has guaranteed certain leases, fixture financing loans and other debt obligations of various retailers as of June 19, 2010. These guarantees were generally made to support the business growth of independent retail customers. The guarantees are generally for the entire terms of the leases or other debt obligations with remaining terms that range from less than one year to 21 years, with a weighted average remaining term of approximately eight years. For each guarantee issued, if the independent retail customer defaults on a payment, the Company would be required to make payments under its guarantee. Generally, the guarantees are secured by indemnification agreements or personal guarantees of the independent retail customer. The Company reviews performance risk related to its guarantees of independent retail customers based on internal measures of credit performance. As of June 19, 2010, the maximum amount of undiscounted payments the Company would be required to make in the event of default of all of these guarantees was \$126 and represented \$94 on a discounted basis. Based on the indemnification agreements, personal guarantees and results of the reviews of performance risk, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote. Accordingly, no amount has been recorded in the Condensed Consolidated Balance Sheets for these contingent obligations under the Company's guarantee arrangements.

The Company is contingently liable for leases that have been assigned to various third parties in connection with facility closings and dispositions. The Company could be required to satisfy the obligations under the leases if any of the assignees are unable to fulfill their lease obligations. Due to the wide distribution of the Company's assignments among third parties, and various other remedies available, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote.

In the ordinary course of business, the Company enters into supply contracts to purchase products for resale. These contracts typically include volume commitments or fixed expiration dates, termination provisions and other standard contractual considerations. As of June 19, 2010, the Company had \$1,571 of non-cancelable future purchase obligations primarily related to supply contracts.

The Company is a party to a variety of contractual agreements under which the Company may be obligated to indemnify the other party for certain matters, which indemnities may be secured by operation of law or otherwise, in the ordinary course of business. These contracts primarily relate to the Company's commercial contracts, operating leases and other real estate contracts, financial agreements, agreements to provide services to the Company and agreements to indemnify officers, directors and employees in the performance of their work. While the Company's aggregate indemnification obligation could result in a material liability, the Company is not aware of any matters that are expected to result in a material liability.

*Legal Proceedings*

The Company is a party to various legal proceedings arising from the normal course of business as described in Part II Other Information, Item 1, under the caption Legal Proceedings and in Note 10 Commitments, Contingencies and Off-Balance Sheet Arrangements, none of which, in management's opinion, is expected to have a material adverse impact on the Company's financial condition, results of operations or cash flows.

*Multi-Employer Plans*

The Company contributes to various multi-employer pension plans under collective bargaining agreements, primarily defined benefit pension plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. Based on available information, the Company believes that some of the multi-employer plans to which it contributes are underfunded. Company contributions to these plans could increase in the near term. However, the amount of any increase or decrease in contributions will depend on a variety of factors, including the results of the Company's collective bargaining efforts, investment returns on the assets held in the plans, actions taken by the trustees who manage the plans and requirements under the Pension

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Protection Act and Section 412(e) of the Internal Revenue Code. Furthermore, if the Company was to significantly reduce contributions, exit certain markets or otherwise cease making contributions to these plans, it could trigger a partial or complete withdrawal that would require the Company to fund its proportionate share of a plan's unfunded vested benefits. During the first quarter ended June 19, 2010 and June 20, 2009, the Company contributed \$42 and \$44 to these plans, respectively.

The Company also makes contributions to multi-employer health and welfare plans in amounts set forth in the related collective bargaining agreements. A small minority of collective bargaining agreements contain reserve requirements that may trigger unanticipated contributions resulting in increased healthcare expenses. If these healthcare provisions cannot be renegotiated in a manner that reduces the prospective healthcare cost as the Company intends, the Company's Selling and administrative expenses could increase in the future.

*Contractual Obligations*

There have been no material changes in the Company's contractual obligations since the end of fiscal 2010. Refer to Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010 for additional information regarding the Company's contractual obligations.

**CRITICAL ACCOUNTING POLICIES**

The description of critical accounting policies is included in Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010, and is updated for the following:

*Goodwill*

The Company reviews goodwill for impairment during the fourth quarter of each year and also if an event occurs or circumstances change that more-likely-than-not would reduce the fair value of a reporting unit below its carrying amount. For the fourth quarter ended February 27, 2010, the review of goodwill for impairment indicated that the fair value for one reporting unit with \$2,754 of goodwill exceeded the carrying value by less than 5 percent and the fair value for another reporting unit with \$807 of goodwill exceeded the carrying value by greater than 10 percent. The remaining \$137 of goodwill is at a reporting unit with fair value that substantially exceeds the carrying value. During the period from May 7, 2010 to June 19, 2010, the Company's market capitalization fell below the book value of its equity. The Company believes that the disparity between the book value of its assets as compared to the market capitalization of its business is in large part a consequence of the Company's industry, the broader economy and market conditions. While the Company believes that some of these risks are unique to specific companies, some represent global industry risks and a decline in general investor confidence throughout the market and not based on any events or conditions specific to the Company. The Company believes that there is no fundamental change in its underlying long-term business model. If the Company's stock price experiences a significant and sustained decline, the Company would reassess the fair value of the implied goodwill compared to the carrying value.

**CAUTIONARY STATEMENTS FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE SECURITIES**

**LITIGATION REFORM ACT**

Any statements contained in this Quarterly Report on Form 10-Q regarding the outlook for the Company's businesses and their respective markets, such as projections of future performance, guidance, statements of the Company's plans and objectives, forecasts of market trends and other matters, are forward-looking statements based on the Company's assumptions and beliefs. Such statements may be identified by such words or phrases as "will likely result," "are expected to," "will continue," "outlook," "will benefit," "is anticipated," "estimate," "project," "management believes" or other expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those discussed in such statements and no assurance can be given that the results in any forward-looking statement will be achieved. For these statements, SUPERVALU INC. claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Any forward-looking statement speaks only as of the date on which it is made, and we disclaim any obligation to subsequently revise any forward-looking statement to reflect events or circumstances after such date or to reflect the occurrence of anticipated or unanticipated events.

Certain factors could cause the Company's future results to differ materially from those expressed or implied in any forward-looking statements contained in this report. These factors include the factors discussed in Part I, Item 1A of

the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010 under the heading "Risk Factors," the factors discussed below and any other cautionary statements, written or oral, which may be made or referred to in connection with any such forward-looking statements. Since it is not possible to foresee all such factors, these factors should not be considered as complete or exhaustive.

***Economic Conditions***

Continued weakness in the economy or further adverse changes in economic conditions that affect consumer spending or

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buying habits

Increases in unemployment, healthcare costs, energy costs and commodity prices, which could impact consumer spending or buying habits and the cost of doing business

Changes in interest rates

Food and drug inflation or deflation

The outcome of negotiations with partners, governments, suppliers, unions or customers

***Execution of Initiatives***

The Company's ability to execute customer-focused initiatives designed to support its vision of becoming America's Neighborhood Grocer

The effectiveness of cost reduction strategies

The adequacy of the Company's capital resources to fund new store growth and remodeling activities that achieve appropriate returns on capital investment

***Competitive Practices***

The Company's ability to attract and retain customers

The Company's ability to hire, train or retain employees

Competition from other food or drug retail chains, supercenters, non-traditional competitors and emerging alternative formats in the Company's markets

Declines in the Company's Supply chain services sales due to increased wholesaler competition or increased customer self-distribution

Changes in demographics or consumer preferences that affect consumer spending habits

The impact of consolidation in the Retail food and Supply chain services industries

The success of the Company's promotional and sales programs and the Company's ability to respond to the promotional and pricing practices of competitors

***Food Safety***

Events that give rise to actual or potential food contamination, drug contamination or food-borne illness or any adverse publicity relating to these types of concern, whether or not valid

***Liquidity***

The Company's substantial indebtedness and its potential effect on the operation of the Company's business

The availability of favorable credit and trade terms

***Labor Relations***

Potential work disruptions resulting from labor disputes

Ability to negotiate labor contracts with acceptable terms

***Employee Benefit Costs***

Increased operating costs resulting from rising employee benefit costs or pension funding obligations

***Regulatory Matters***

The ability to timely obtain permits, comply with government regulations or make capital expenditures required to maintain compliance with government regulations

Changes in applicable laws and regulations that impose additional requirements or restrictions on the operation of the Company's businesses

***Self-Insurance***

Variability in actuarial projections regarding workers' compensation and general and automobile liability

Potential increase in the number or severity of claims for which the Company is self-insured

***Legal and Administrative Proceedings***

Unfavorable outcomes in litigation, governmental or administrative proceedings or other disputes

Adverse publicity related to such unfavorable outcomes

***Information Technology***

Difficulties in developing, maintaining or upgrading information technology systems

Business disruptions or losses resulting from data theft, information espionage, or other criminal activity directed at the Company's computer or communications systems

*Severe Weather, Natural Disasters and Adverse Climate Changes*

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Property damage or business disruption resulting from severe weather conditions and natural disasters that affect the Company, and the Company's customers or suppliers

Unseasonably adverse climate conditions that impact the availability or cost of certain products in the grocery supply chain

***Accounting Matters***

Changes in accounting standards that impact the Company's financial statements

***Goodwill and Intangible Asset Impairment Charges***

Unfavorable changes in the Company's industry, the broader economy, market conditions, business operations, competition or the Company's stock price and market capitalization

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There were no material changes in market risk for the Company in the period covered by this report. See the discussion of market risk in Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

**ITEM 4. CONTROLS AND PROCEDURES**

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of June 19, 2010. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

In connection with the evaluation described above, there were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The Company is subject to various lawsuits, claims and other legal matters that arise in the ordinary course of conducting business, none of which, in management's opinion, is expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In September 2008, a class action complaint was filed against the Company, as well as International Outsourcing Services, LLC (IOS), Inmar, Inc., Carolina Manufacturer's Services, Inc., Carolina Coupon Clearing, Inc. and Carolina Services, in the United States District Court in the Eastern District of Wisconsin. The plaintiffs in the case are a consumer goods manufacturer, a grocery co-operative and a retailer marketing services company who allege on behalf of a purported class that the Company and the other defendants (i) conspired to restrict the markets for coupon processing services under the Sherman Act and (ii) were part of an illegal enterprise to defraud the plaintiffs under the Federal Racketeer Influenced and Corrupt Organizations Act. The plaintiffs seek monetary damages, attorneys' fees and injunctive relief. The Company intends to vigorously defend this lawsuit, however all proceedings have been stayed in the case pending the result of the criminal prosecution of certain former officers of IOS. Although this lawsuit is subject to the uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that the ultimate resolution of this lawsuit will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In December 2008, a class action complaint was filed in the United States District Court for the Western District of Wisconsin against the Company alleging that a 2003 transaction between the Company and C&S Wholesale Grocers, Inc. (C&S) was a conspiracy to restrain trade and allocate markets. In the 2003 transaction, the Company purchased certain assets of the Fleming Corporation as part of Fleming Corporation's bankruptcy proceedings and sold certain assets of the Company to C&S which were located in New England. Since December 2008, three other retailers have filed similar complaints in other jurisdictions. The cases have been consolidated and are proceeding in the United States District Court for the District of Minnesota. The complaints allege that the conspiracy was concealed and continued through the use of non-compete and non-solicitation agreements and the closing down of the distribution facilities that the Company and C&S purchased from the other. Plaintiffs are seeking monetary damages, injunctive relief and attorneys' fees. The Company is vigorously defending these lawsuits. On September 14, 2009, the United States Federal Trade Commission (FTC) issued a subpoena to the Company requesting documents related to the C&S transaction as part of the FTC's investigation into whether the Company and C&S engaged in unfair methods of competition. The Company is cooperating with the FTC. Although this matter is subject to the uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that the ultimate resolution of this lawsuit or the FTC investigation will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

On January 7, 2010, the Company received a subpoena from the Office of Inspector General for the Department of Health and Human Services - Milwaukee Field Office in connection with an investigation of possible false or otherwise improper claims for payment under the Medicaid program. The subpoena requests retail pharmacy claims data for dual eligible customers (i.e., customers with both Medicaid and private insurance coverage), information concerning the Company's retail pharmacy claims processing systems, copies of pharmacy payor contracts and other documents and records. The Company is cooperating with the Office of Inspector General. Management cannot predict with certainty the timing or outcome of any review by the government of such information.

The Company is also involved in routine legal proceedings incidental to its operations. Some of these routine proceedings involve class allegations, many of which are ultimately dismissed. Management does not expect that the ultimate resolution of these legal proceedings will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The statements above reflect management's current expectations based on the information presently available to the Company, however, predicting the outcomes of claims and litigation and estimating related costs and exposures involves substantial uncertainties that could cause actual outcomes, costs and exposures to vary materially from current expectations. In addition, the Company regularly monitors its exposure to the loss contingencies associated with these matters and may from time to time change its predictions with respect to outcomes and its estimates with

respect to related costs and exposures and believes recorded reserves are adequate. It is possible, although management believes it is remote, that material differences in actual outcomes, costs and exposures relative to current predictions and estimates, or material changes in such predictions or estimates, could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

**ITEM 1A. RISK FACTORS**

There were no material changes in risk factors for the Company in the period covered by this report. See the discussion of risk factors in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010, which describe various risks and uncertainties to which the Company is or may become subject. These risks and uncertainties could have a material impact on the Company's business, financial condition or results of operations.

**Table of Contents****ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

<b>(in millions, except shares and per share amounts)</b>	<b>Total Number of Shares Purchased (2)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Treasury Stock Purchase Program (3)</b>	<b>Approximate Dollar Value of Shares that May Yet be Purchased Under the Treasury Stock Purchase Program (3)</b>
<b>Period (1)</b>				
First four weeks February 28, 2010 to March 27, 2010	2,827	\$ 16.02		\$ 70
Second four weeks March 28, 2010 to April 24, 2010	1,384	\$ 17.16		\$ 70
Third four weeks April 25, 2010 to May 22, 2010		\$		70
Fourth four weeks May 23, 2010 to June 19, 2010	249,486	\$ 13.02	219,940	\$ 67
<b>Totals</b>	<b>253,697</b>	<b>\$ 13.08</b>	<b>219,940</b>	<b>\$ 67</b>

(1) The reported periods conform to the Company's fiscal calendar composed of thirteen 28-day periods. The first quarter of fiscal 2011 contains four 28-day periods.

(2) These amounts include the deemed surrender by participants in the Company's

compensatory stock plans of 30,930 shares of previously issued common stock. These are in payment of the purchase price for shares acquired pursuant to the exercise of stock options and satisfaction of tax obligations arising from such exercises, as well as from the vesting of restricted stock awards granted under such plans.

- (3) On June 24, 2010, the Board of Directors of the Company adopted and announced a new annual share purchase program authorizing the Company to purchase up to \$70 of the Company's common stock. Stock purchases will be made primarily from the cash generated from the settlement of stock options. This annual authorization program replaced the

previously existing share purchase program and continues through June 2011. All purchases presented in the table above were made under the previously existing share purchase program. As of June 19, 2010, there remained \$67 available to purchase the Company's common stock under the previously existing share purchase program.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. (REMOVED AND RESERVED)**

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

- 3.1 Restated Bylaws of SUPERVALU INC., as amended June 24, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed June 29, 2010.
- 4.1 Amended and Restated Credit Agreement, dated April 5, 2010, by and among SUPERVALU INC., The Royal Bank of Scotland PLC, Credit Suisse Securities (USA) LLC, CoBank, ACB, U.S. Bank N.A., Rabobank International, RBS Securities Inc., Barclay's Capital and various financial institutions and other persons from time to time parties hereto, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 9, 2010.
- 10.1 Amended No. 1 to Restricted Stock Unit Award Agreement between SUPERVALU INC. and Jeffrey Noddle, dated April 16, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 20, 2010.\*
- 10.2 Form of 2007 Stock Plan Stock Option Agreement and Stock Option Terms and Conditions for Officers, as amended April 14, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 20, 2010.\*
- 10.3 Form of 2007 Stock Plan Restricted Stock Award Agreement and Restricted Stock Award Terms and Conditions for Officers, as amended April 14, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 20, 2010.\*
- 10.4 Form of 2007 Stock Plan Restricted Stock Unit Award Agreement and Restricted Stock Unit Award Terms and Conditions for Officers, as amended April 14, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 20, 2010.\*
- 10.5 Form of SUPERVALU INC. 2007 Stock Plan Stock Appreciation Rights Agreement for Officers, as amended April 14, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 20, 2010.\*
- 10.6 Form of SUPERVALU INC. 2007 Stock Plan Performance Stock Unit Award Agreement and Performance Stock Unit Award Terms and Conditions (restricted stock settled), as amended April 14, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 20, 2010.\*
- 10.7 Form of SUPERVALU INC. 2007 Stock Plan Performance Stock Unit Award Agreement and Performance Stock Unit Award Terms and Conditions (cash settled), as amended April 14, 2010, is incorporated herein by reference to the Company's Current Report on Form 8-K filed on April 20, 2010.\*
- 31.1 Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following information from the SUPERVALU INC. Quarterly Report on Form 10-Q for the fiscal quarter ended June 19, 2010, filed with the SEC on July 28, 2010, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Segment Financial Information, (ii) the Condensed Consolidated Statements of Earnings, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

\*

Indicates management contract, compensatory plan or arrangement required to be filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUPERVALU INC. (Registrant)

Dated: July 28, 2010

/s/ SHERRY M. SMITH

Sherry M. Smith  
Senior Vice President, Finance  
(principal accounting officer)

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**EXHIBIT INDEX**

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