



## Transition Services Agreements (TSA) – Frequently Asked Questions

### 1. What are the Transition Services Agreements?

*The Transition Services Agreements (“TSA”) are agreements under which SUPERVALU INC. (“SUPERVALU” or “SVU”) provides support services to Albertsons LLC (“LLC”) and New Albertsons, Inc. (“NAI”).*

*The support services include Information Technology, Finance, Real Estate and Human Resources. SVU performs these services in materially the same manner, scope, nature and quality as performed before the sale of NAI.*

*A similar agreement was initially put in place in 2006 at the time SVU purchased a number of retail banners from the former Albertsons.*

### 2. Are there services provided to SVU?

*The TSA provides for “reverse” TSA services to SVU from NAI & LLC. The reverse TSA services include pharmacy, environmental, and records center services.*

*In addition, we share costs at certain shared facilities.*

### 3. What is SUPERVALU’s view of the TSA?

*The TSA is a mutually beneficial arrangement that leverages the combined store counts of SUPERVALU, LLC and NAI to lower total aggregate costs while fully utilizing SUPERVALU’s existing infrastructure.*

### 4. What is the term of the TSA?

*The TSA has an initial term of 30 months, commencing March 21, 2013 and ending September 21, 2015, and provides for 10 annual extensions, if requested by the party receiving the services, based on a 12 month notification period. For example, LLC and NAI would need to provide notice by September 21, 2014 to extend the TSA for an additional 12 months beyond September 21, 2015.*

### 5. What are the termination rights under the TSA?

*SUPERVALU can terminate either TSA with 36 months notification and must provide wind-down services of 12 additional months if requested by LLC or NAI.*

*LLC/NAI can elect not to extend the TSA beyond September 21, 2015 by not providing the required 12 months notification. SVU has the same rights for the reverse TSA services. LLC/NAI may transfer any of the TSA*

services to a 3<sup>rd</sup> party during the term of the TSA with a 120 day notification. In such an event, SVU would be entitled to reimbursement for the transition costs (up to cap) and all other fees and payments under the TSA would remain payable.

## **6. What is the fee structure?**

*The first year of the TSA had a fixed fee of \$200 million, adjusted for certain offsets based on services transferred to LLC and NAI. These offsets are neutral to SVU because the lost TSA revenue represents the costs that SVU is not incurring to provide the transferred services.*

*The first year of the TSA began on March 21, 2013 and ran through March 20, 2014.*

*The first year also included a one-time transition payment of \$60 million.*

*Beginning in the second year, the fee structure became 50% fixed and 50% variable:*

- The fixed fee will not change during the initial term. The fixed fee will be reset at the start of each extension term, if any, based on the number of distribution centers and stores receiving services under the TSA at the start of the extension term.*
- The variable fee per distribution center and per store will not change during the initial term. However, the aggregate variable fee will increase or decrease each week based on the number of DCs and stores being serviced under the TSA. For example, if ten stores are no longer receiving services under the TSA in a given week, the aggregate variable fee will decrease by an amount equal to the per store variable fee multiplied by ten. The variable fee per distribution center and per store will be reset at the start of each extension term, if any, based on the number of distribution centers and stores operating at the start of the extension term.*

## **7. Does the TSA have a governance process?**

*Yes, SUPERVALU and LLC/NAI have a TSA Steering Committee who meets regularly to discuss matters covered by the TSA. The TSA parties are equally represented on the TSA Steering Committee.*

*SUPERVALU has a TSA Executive oversight committee made up of senior executives who also meets regularly.*

## **8. How is the TSA accounted for in SUPERVALU's financial statements?**

*The TSA is recorded in the "corporate" line of the company's segment reports.*

*Within corporate, the TSA fees are reflected as revenue.*

*The costs associated with servicing the TSA are recorded as selling and administrative expenses within corporate.*

## 9. Has the TSA always been accounted for in this manner?

*When the prior TSA began in 2006, dollars received were recorded as an offset to selling and administrative expense within the Retail Food segment.*

*Concurrent with the sale of the five NAI retail banners in March 2013, the presentation of SUPERVALU's segments was recast to align with how the business was managed. The reporting of TSA activity was moved to the Company's corporate segment.*

*Beginning in the second quarter of fiscal 2014, the Company determined that fees received under the TSA should be presented as revenue instead of as a reduction to selling and administrative expense.*

## 10. What are the economics to SUPERVALU?

*Actual results may vary based on the ability of SUPERVALU to manage costs of providing the services and the level of services being provided.*

*The one-year transition payment of \$60M was recorded as follows within fiscal 2014:*

- Q1: \$36.3M / Q2: \$17.8M / Q3: \$4.1M / Q4: \$1.8M

*The recognition of this one-year transition payment was "front end loaded" and was done so based on SUPERVALU's estimate of the timing for removing excess administrative costs following the sale of the five NAI retail banners.*

*The portion of the fixed fee for year 1 of the TSA was recorded as follows:*

- Q1: \$47.4M / Q2: \$44.1M / Q3: \$44.1M / Q4: \$44.1M

*In the first quarter of fiscal 2015, the TSA contributed to SUPERVALU's overall consolidated operating profit.*

## 11. Can I get a copy of the complete TSA?

*The TSA has been filed with the Securities and Exchange Commission. Complete copies are available at [www.sec.gov](http://www.sec.gov) as set forth below:*

- *The Transition Services Agreement with LLC was filed with the SEC on March 26, 2013 as Exhibit 10.1 to SUPERVALU's Current Report on Form 8-K. The Transition Services Agreement with NAI was filed with the SEC on March 26, 2013 as Exhibit 10.2 to SUPERVALU's Current Report on Form 8-K.*

The foregoing description of the TSA is qualified in its entirety by reference to the full text of the TSA, as filed with the SEC.

This information is provided as of July 24, 2014 and SUPERVALU disclaims any obligation to subsequently revise this information to reflect events or circumstances after such date or to reflect the occurrence of anticipated or unanticipated events.