



Communications Update

For retail associates represented by UFCW Local 791

Date: Friday, July 25, 2008

Shaw's and UFCW Local 791 have been working diligently towards reaching a new contract since we began negotiations on June 6. To date, there have been 12 bargaining sessions. Throughout this time, Shaw's has remained committed to reaching an agreement that balances the needs of our associates and our customers, while keeping in mind the increasing demands of a highly competitive environment. Shaw's and Local 791 have six sessions scheduled for next week -- Monday, July 28 to Saturday, August 2.

Until now, both parties had agreed to keep negotiations at the bargaining table. We have maintained negotiations at the table where it belongs and where contract terms are agreed upon and the parties have engaged in meaningful dialogue about the challenges that face our business and its future. However, we now believe it is appropriate to provide Shaw's associates with an update on negotiation activities.

By mutual agreement, Shaw's and Local 791 have focused primarily on contract language with additional dialogue on economic issues such as wages, healthcare and pension to be addressed in greater detail later in the negotiations.

Below is an update on the major areas of discussion:

Work Flexibility & Contract Language

Shaw's has sought relief from restrictions affecting 254 full-time service clerks who are unable to be cross-trained to work in other functions or departments or promoted due to the same reasons. Without these changes, Shaw's cannot adequately meet its customers' needs.

We also want to cross-train our general duty clerks so that they can be utilized by other departments as business needs demand.

These types of restrictions place the Company at a competitive disadvantage with the majority of its competitors.

With greater flexibility, Shaw's can level the playing field with our competitors that are not bound by a full-time workforce who can only work in one department or are restricted to limited duty functions.



Economics: Health & Benefits

Shaw's is seeking reasonable health care cost containment measures including additional cost sharing with respect to Associates' weekly contributions. Shaw's is also seeking new hire provisions in the areas of health care eligibility, holiday pay, vacation and sick pay benefits.

Retirement Planning

Shaw's is proposing a 401k plan with full company profit sharing and company matching of contributions, in lieu of the current pension plan, which would, if vested, be the funds of the associates. Supervalu has one of the best 401k plans in the country. Pension plans have been challenged in recent years. More companies are moving away from them into 401k plans because of the issues they have faced in recent years. The advantages of a 401k plan generally include greater investment options for associates, shorter vesting schedules and greater portability than pension plans.

Wages

We are in the early stages of wage discussion.

Miscellaneous

Shaw's is seeking a five-year retail contract. We have also made proposals that would impact premium pay for new CSRs, impact non-night crew's window for night premium and require weekly coverage of department head absences before an Assistant Dept. manager receives fill in pay.

Maintenance Contract

One bargaining session was dedicated to maintenance with approximately six proposals on the table in total. We also plan to resolve maintenance contract language issues next week.

The week ahead

Shaw's continues to bargain in good faith, with the company agreeing to approximately **15** Local 791 proposals so far. Next week, both parties will continue major dialogue on the economic provisions. Recognizing that negotiations are a give and take, we pledge to work with Local 791 representatives so that we can remain competitive in a demanding environment and provide great job opportunities for our associates now and into the future.