

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

THE HONORABLE KEN SCHUBERT

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON  
IN AND FOR THE COUNTY OF KING

STATE OF WASHINGTON,  
  
                        Plaintiff,  
  
          v.  
  
ALBERTSONS COMPANIES, INC.;  
ALBERTSON S COMPANIES  
SPECIALTY CARE, LLC;  
ALBERTSON’S LLC; ALBERTSON’S  
STORES SUB LLC; THE KROGER CO.;  
KETTLE MERGER SUB, INC,  
  
                        Defendants.

NO. 22-2-18046-3 SEA  
  
ORDER DENYING STATE OF  
WASHINGTON’S MOTION FOR  
PRELIMINARY INJUNCTION AND  
EXTENDING TEMPORARY  
RESTRAINING ORDER UNTIL 4:30  
PM ON DECEMBER 19, 2022

This matter came before the Court for hearing on the State’s Motion for Preliminary Injunction on December 9, 2022. The Court heard argument from the parties and considered the pleadings and record before the Court, including the following:

1           1.       The State’s Complaint for Injunction, Civil Penalties, and Other Relief Under the  
2 Washington State Consumer Protection Act, RCW 19.86 *et seq.*;

3           2.       The State’s Motion for Preliminary Injunction;

4           3.       Declaration of Michael Steven Weisbach in Support of the State’s Motion for  
5 Preliminary Injunction and exhibits thereto;

6           4.       Declaration of Amy N.L. Hanson in Support of the State’s Motion for Preliminary  
7 Injunction and exhibits thereto;

8           5.       Defendant The Kroger Co.’s Opposition to the State’s Motion for Preliminary  
9 Injunction;

10          6.       Declaration of Gary Millerchip in Opposition to the State’s Motion for Preliminary  
11 Injunction and exhibits thereto;

12          7.       Declaration of Christopher Wyant in Opposition to the State’s Motion for  
13 Preliminary Injunction and exhibits thereto;

14          8.       Albertsons Companies, Inc.’s Memorandum of Law in Opposition to the State’s  
15 Motion for Preliminary Injunction;

16          9.       Declaration of Sharon McCollam and exhibits thereto;

17          10.      Declaration of Edward D. Hassi and exhibits thereto;

18          11.      Declaration of Professor David C. Smith;

19          12.      State of Washington’s Reply in Support of Its Motion for Preliminary Injunction;

20          13.      Supplemental Declaration of Michael Steven Weisbach in Support of Motion for  
21 Preliminary Injunction;

22          14.      Brief for the State of Oregon as Amicus Curiae in Support of the State of  
23 Washington’s Complaint for Injunction;

1 15. Second Supplemental Declaration of Michael Steven Weisbach in Support of  
2 Motion for Preliminary Injunction;

3 16. State of Colorado's Amicus Curiae Brief with exhibits thereto; and

4 17. Evidence presented at the hearing on December 7, 2022.

5 **FINDINGS OF FACT**

6 1. Albertsons is a grocery retailer that operates over 200 stores in Washington under  
7 the banners Albertsons, Safeway, and Haggen.

8 2. Kroger is a grocery retailer that operates 54 QFCs and 33 Fred Meyer stores in the  
9 Puget Sound area alone.

10 3. Albertsons and Kroger are direct competitors who compete in Washington State  
11 communities for customers, and competition is based, in part, on factors that include store  
12 conditions, product quality, prices, service, convenience, and selection.

13 4. Albertsons and Kroger are direct competitors who compete in Washington State  
14 communities for workers, and competition is based, in part, on factors that include wages and  
15 benefits.

16 5. Together, Albertsons and Kroger collectively own and operate almost 350 grocery  
17 stores in Washington State.

18 6. On September 7, 2021, Albertsons hired Sharon McCollam as its President and  
19 Chief Financial Officer. Soon after that hiring Ms. McCollam led internal discussions on how to  
20 return capital to shareholders.

21 7. On February 28, 2022, Albertsons issued an 8-K announcement that it was  
22 undertaking a comprehensive review of strategic initiatives. Those initiatives contemplated a  
23 return of capital to shareholders in the form of either a tender offer (stock buy-back) or a special  
24 dividend.

1           8.       Albertsons would have preferred to implement a tender offer for a number of  
2 reasons outlined by Goldman Sachs and CreditSuisse. Ex. 16 (ACI\_DCCID-00000068, at -085).

3           9.       In June of 2022, Kroger expressed an interest in acquiring Albertsons through a  
4 merger. Albertsons would not be able to move forward with both a tender offer and the merger  
5 due to concerns of a SEC violation. As a result, Albertsons would only be able to return capital to  
6 its shareholders through a special dividend if it wanted to move forward with the merger.

7           10.      The negotiations between Albertsons and Kroger recognized Albertsons' intent to  
8 return capital and Albertsons informed Kroger of its interest in issuing a special dividend. Kroger  
9 negotiated to limit the size of the special dividend to \$4 billion. The parties did not agree that  
10 Albertsons would issue that special dividend nor did Kroger require Albertsons to do so. Kroger  
11 merely acquiesced to allow Albertsons to issue a special dividend if Albertsons, unilaterally,  
12 decided to do so. If Albertsons issued a special dividend, the parties' merger agreement accounted  
13 for the impact that disbursement had on Albertsons' value dollar for dollar.

14           11.      The merger agreement acknowledges that Albertsons may pay shareholders a  
15 "Pre-Closing Dividend" in an amount up to \$4 billion, which is about \$6.85 per share.

16           12.      To pay the dividend, Albertsons will use \$2.5 billion of its \$3 billion cash on hand  
17 and will also use about \$1.5 billion of its line of credit. In an October 18, 2022 Form 10-Q filing  
18 with the SEC, Albertsons disclosed that "The Special Dividend . . . will be funded using  
19 approximately \$2.5 billion of cash on hand with the remainder in borrowings." This will leave  
20 Albertsons with about \$500 million of cash on hand and \$2.6 billion remaining in its line of credit.

21           13.      The State failed to show that Albertsons's payment of the dividend will impair its  
22 ability to compete during regulatory review of the merger or harm competition in grocery retail  
23 markets in Washington State communities.

1 14. The testimony of the respective Chief Financial Officers of Albertsons and Kroger,  
2 supported by the analysis of their financial advisors, establishes that Albertsons generates  
3 significant free cash flow, will continue to do so, and will also continue to be able to meet all of  
4 its capital and operational needs, even after payment of the special dividend.

5 15. On November 1, 2022, the State filed a Complaint for Injunction, Civil Penalties,  
6 and Other Relief Under the Washington State Consumer Protection Act and a Motion for  
7 Temporary Restraining Order to enjoin Albertsons from distributing its shareholder dividend on  
8 November 7, 2022. The State alleges Defendants violated RCW 19.86.020 and RCW 19.86.030.

9 16. The State provided due and proper notice to all parties before the Preliminary  
10 Injunction Hearing.

11 17. On November 3, 2022, the Court Commissioner issued a temporary restraining  
12 order to remain in effect through the Court's hearing on the State's Motion for Preliminary  
13 Injunction, which this Court extended through December 9, 2022.

#### 14 CONCLUSIONS OF LAW

15 1. Pursuant to RCW 19.86.080, the Court has jurisdiction over the parties to, and the  
16 subject matter of, this motion for preliminary injunction.

17 2. Pursuant to CR 65, Defendants received adequate notice and opportunity to  
18 respond to the State's Motion for Preliminary Injunction.

19 3. Pursuant to *Rabon v. City of Seattle*, 135 Wn.2d 278, 284 (1998), a party seeking  
20 a preliminary injunction must show (1) a clear legal or equitable right, (2) a well-grounded fear of  
21 immediate invasion of that right, and (3) that the acts complained of have or will result in actual  
22 and substantial injury. "In deciding whether a party has a clear legal or equitable right, the court  
23 examines the likelihood that the moving party will prevail on the merits." *Id.* at 285.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

Dated this 9th day of December, 2022.

E-signature on last page.  
JUDGE KEN SCHUBERT

King County Superior Court  
Judicial Electronic Signature Page

Case Number: 22-2-18046-3  
Case Title: STATE OF WASHINGTON VS ALBERTSONS COMPANIES INC  
ET AL  
Document Title: ORDER RE DENYING PRELIMINARY INJUNCTION  
  
Signed By: Kenneth Schubert  
Date: December 09, 2022



---

Judge: Kenneth Schubert

This document is signed in accordance with the provisions in GR 30.

Certificate Hash: 20DA9CAD30E9A356B2B090778A254A4188865BEC  
Certificate effective date: 11/13/2018 11:21:11 AM  
Certificate expiry date: 11/13/2023 11:21:11 AM  
Certificate Issued by: C=US, E=kcscefiling@kingcounty.gov, OU=KCDJA,  
O=KCDJA, CN="Ken Schubert:  
EPj/VAvS5hGqrSf3AFk6yQ=="