United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
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SUBJECT: WIC Policy Memorandum #2015-1
Sale of Safeway, Inc. to AB Acquisition
Impact on Vendor Authorization

TO: Regional Directors
Supplemental Food Programs
All Regions

WIC State Agency Directors
All Regions

This policy memorandum provides guidance to State agencies on authorization of vendors impacted by the sale of Safeway, Inc. (Safeway) to AB Acquisition, LLC (Albertsons). Several WIC State agencies have contacted Food and Nutrition Service (FNS) Regional offices for guidance on this merger and to express concerns about potential disruptions in participants' access to WIC benefits while the transfer of WIC authorization is completed.

On July 25, 2014, Safeway shareholders approved the company's sale to Albertsons. Over 1,300 Safeway stores, operating under a variety of store banners in over 20 States and the District of Columbia, will be affected by the merger; however, notwithstanding the corporate changes, all of the daily business and operations of Safeway Inc. stores are expected to remain the same. Pending Federal Trade Commission approval, the merger could be finalized as soon as the end of 2014.

Section 246.12(h)(3)(xvii) of the Federal WIC Regulations provides the State agency with the discretion to determine whether a change in business structure constitutes a change in ownership. If the State agency determines that a change in ownership has occurred, the vendor is treated like a new vendor applicant, requiring a preauthorization visit and new agreement.

The sale of Safeway to Albertsons is not expected to result in any changes to in-store management or operations. While there will be a different corporate owner, the officers and directors of Safeway Inc. or any of its subsidiaries are not expected to change due to the merger and the taxpayer identification numbers/employer identification numbers (EIN) also are expected to remain the same.

Authorizing 1,300 vendors as new WIC vendors at one time has the potential to strain the administrative resources of the affected State agencies, interrupt program authorization for affected stores, and jeopardize participant access to WIC benefits. To ensure efficient and

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effective use of grant funds for administrative purposes, and to safeguard participant access, FNS advises WIC State agencies to view the sale of Safeway to Albertsons as a change in ownership only if the EIN changes due to the sale.

The former Safeway stores which obtain new EINs will require reauthorization. We recognize that this may significantly increase the number of reauthorizations processed by many State agencies during a typical fiscal year. As such, FNS will permit WIC State agencies to streamline the reauthorization process for these stores by allowing routine monitoring visits made up to one year prior to the sale to meet the preauthorization visit requirement. It is our expectation that State agencies will move quickly to ensure a smooth transition of stores changing ownership to minimize disruption of service to participants. Of course, State agencies must not reauthorize stores which fail to meet authorization selection criteria, including the requirement for competitive prices. Further, State agencies are not required to reauthorize any store in a manner that would be inconsistent with the State agency's vendor management principles and policy.

This guidance is consistent with the manner in which the Supplemental Nutrition Assistance Program is expected to handle this merger and it should minimize program disruption as the new authorization process will only take place if a store changes its EIN.

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for

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