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Debra Wong Yang
United States Attorney
Central District of California

Thom Mrozek, Public Affairs Officer
(213) 894-6947
thom.mrozek@usdoj.gov
www.usdoj.gov/usao/cac

RALPHS AGREES TO PLEAD GUILTY AND PAY $70 MILLION FOR ILLEGALLY REHIRING WORKERS DURING LABOR ACTION

Nearly $50 Million to Reimburse Locked-out Workers and Unions

Ralphs Grocery Company, the owner of about 300 supermarkets across Southern California, has agreed to plead guilty to criminal charges that it covertly rehired hundreds of locked-out workers under false names and social security numbers during its 2003-2004 lockout of approximately 19,000 Ralphs grocery clerks and meat cutters. As part of a plea agreement filed this afternoon in United States District Court in Los Angeles, Ralphs has agreed to pay $70 million dollars in criminal fines and compensation to Ralphs' grocery workers and the seven union locals that represent these workers.

In addition to rehiring locked-out workers under false identities, Ralphs has admitted that it submitted false tax information to the Social Security Administration and Internal Revenue Service related to employing these workers under false identities.

The company also admitted in court documents that two of its executives, who served as trustee and alternate trustee to the trust funds that provide health and pension benefits to current and retired grocery workers, breached their fiduciary duties to the funds. When directly asked if Ralphs had illegally rehired locked-out workers, the executives concealed from other trustees the illegal rehiring. At the time of this criminal conduct, these two executives were serving as

Ralphs' top negotiators with the unions. The company has admitted it benefitted from this concealment because the unions did not learn of the illegal rehiring.

"This labor dispute affected nearly everyone in Southern California," said United States Attorney Debra Wong Yang, a member of the President's Corporate Fraud Task Force. "It is particularly egregious that this company engaged in pervasive criminal conduct during the nearly five months of the dispute. However, corporations that take responsibility their criminal conduct are to be commended, and Ralphs has done so in this matter. I hope that the resolution of this case will provide some relief to the thousands of workers who were injured by the criminal conduct that unfairly prolonged the length of the grocery labor dispute."

Under the terms of the plea agreement, Ralphs will pay a $20 million criminal fine. It will also pay $50 million into a restitution fund, most of which will provide backpay to 19,000 locked-out Ralphs workers and will reimburse the unions for financial assistance given to the workers during the labor dispute. The government and the unions estimate that the restitution fund should provide approximately seven weeks of backpay to each worker. The restitution fund will also distribute approximately $675,000 to the trust funds to reimburse them for unpaid contributions. In exchange for Ralphs' $50 million in restitution, the unions have agreed to withdraw certain unfair labor practice charges pending before the National Labor Relations Board.

The plea agreement requires the approval of United States District Judge Percy Anderson, who has not yet scheduled a hearing on the matter. Ralphs has specifically agreed to plead guilty to five felony counts: conspiracy, use of a false social security number, identity fraud, falsifying and concealing material facts in matters within the jurisdiction of the Internal Revenue Service and the Social Security Administration, and concealment of facts from an employee benefit plan.

"The defendant intentionally concealed workers' payroll information and misled plan officials," said Ann Combs, Assistant Secretary of Labor for the Employee Benefits Security Administration. "This directly affected the integrity and solvency of the workers' benefit plans. We will vigorously prosecute these types of violations to ensure that workers' benefits are protected."

David F. Butler, Special Agent in Charge of Social Security Administration/Office of Inspector General/Office of Investigations, Los Angeles Field Division, stated: "The coercive actions of Ralphs Grocery Company caused hundreds of employees to commit federal felonies through the use of false names and false Social Security numbers to complete federal employment documents. The company's actions constitute intentional identity fraud on a large scale by a major company. This was done without regard to the damaging consequences to the recordkeeping of the Social Security Administration or to the criminal liability forced on its employees."

Ralphs Grocery Company was named in a 53-count indictment that was returned by a federal grand jury in December 2005. As part of the plea agreement, the government has agreed to dismiss the remaining counts if Judge Anderson accepts all terms of the plea agreement.

This case is the result of a labor dispute that started on October 11, 2003, when the unions struck the Vons supermarket chain. Pursuant to a secret agreement among three grocery store chains, Albertsons and Ralphs locked out its grocery workers on October 12. While workers picketed their stores, Ralphs, Vons and Albertsons continued to operate with management and temporary workers. During labor disputes, federal law allows an employer to lockout all union employees, but prohibits “selective lockouts.”

On Halloween, the unions decided to stop picketing Ralphs stores, which led to a huge increase in business at its supermarkets. The increase in business caused problems at the store level because Ralphs was operating without its normal workforce. In order to deal with the influx of customers, Ralphs began selectively rehiring locked-out workers – many under false names and false social security numbers – in order to operate with experienced personnel. The lockout and strike lasted approximately 4½ months and affected approximately 65,000 to 70,000 grocery workers, making it the longest and largest labor dispute involving the grocery industry in United States history. Ralphs admitted that during the course of this labor dispute it falsified hundreds of employment records and filed hundreds of false tax forms with IRS and SSA. Ralphs also admitted that a number of its executives participated in the criminal conduct.

Under the plea agreement, the United States Attorney's Office is not barred from prosecuting any current or former executives or employees of Ralphs or related entities if they were involved in the criminal conduct at issue.

The plea agreement, if approved, would impose certain obligations on Ralphs and its corporate parent, Kroger. Specifically, Ralphs will be placed on corporate probation for three years, during which time it will be required to establish court-supervised training and compliance programs. Ralphs and Kroger also will fully cooperate with the government in its continuing investigation.

"This plea agreement demonstrates that large corporations, such as Ralphs, will be held accountable for their illegal behavior and blatant disregard for the law just to increase their bottom line," said Kenneth J. Hines, Special Agent in Charge, IRS Criminal Investigation. The use of false tax information and identities are issues that IRS-CI and our law enforcement partners will aggressively pursue, and we will hold people accountable under our legal system, "

The case against Ralphs is the product of an ongoing investigation conducted by the United States Department of Labor - Office of Labor Racketeering and Fraud Investigations, Department of Labor - Employee Benefits Security Administration, Social Security Administration - Office of Inspector General, and IRS-Criminal Investigation.

CONTACT: Assistant United States Attorney Adam H. Braun
(213) 894-0332

Assistant United States Attorney Jeremy D. Matz
(213) 894-0649

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