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In the second quarter of 2014, Safeway received two subpoenas from the DEA concerning its record keeping, reporting and related practices associated with the loss or theft of controlled substances. We are not a party to any pending DEA administrative or judicial proceeding arising from or related to these subpoenas. We are cooperating with the DEA in all investigative matters.

In June 2014, Albertson's LLC agreed to settle a California civil enforcement action involving allegations of illegal disposal, storage, reverse logistic transportation and mismanagement of hazardous waste in violation of the California Hazardous Waste Control laws. Albertson's LLC did not admit fault or liability in the settlement agreement and agreed to pay \$3.4 million, which includes civil penalties, the cost of the investigation and funding for supplemental environmental projects in California. As part of the settlement, Albertson's LLC also agreed to implement an improved retail hazardous product waste program, to create new, enhanced compliance programs and to provide an annual status report to the specified agencies for five years. The settlement pertains to all Albertson's LLC retail and warehouse facilities in California.

In January 2015, Safeway Inc. agreed to settle a California enforcement action involving allegations of illegal disposal, storage, reverse logistic transportation and mismanagement of hazardous waste in violation of the California Hazardous Waste Control laws. Safeway did not admit fault or liability in the settlement agreement and agreed to pay \$9.9 million, which includes civil penalties, the cost of investigation and funding for supplemental environmental projects in California. As part of the settlement, Safeway also agreed to continue certain compliance activities with respect to both potential hazardous waste and private health information and to provide an annual status report to the specified agencies for five years. The settlement pertains to all Safeway retail and warehouse facilities in California.

On August 14, 2014, we announced that we had experienced a criminal intrusion by installation of malware on a portion of our computer network that processes payment card transactions for retail store locations for our *Shaw's*, *Star Market*, *Acme*, *Jewel-Osco* and *Albertsons* retail banners. On September 29, 2014, we announced that we had experienced a second and separate criminal intrusion. We believe these were attempts to collect payment card data. Relying on our IT service provider, SuperValu, we took immediate steps to secure the affected part of the network. We believe that we have eradicated the malware used in each intrusion. We notified federal law enforcement authorities, the major payment card networks, and our insurance carriers and are cooperating in their efforts to investigate these intrusions. As required by the payment card brands, we retained a firm to conduct a forensic investigation into the intrusions. The forensic firm has issued separate reports for each intrusion (copies of which have been provided to the card networks). Although our network had previously been found to be compliant with PCI DSS, in both reports the forensic firm found that not all of these standards had been met, and some of this non-compliance may have contributed to or caused at least some portion of the compromise that occurred during the intrusions. We believe it is probable that the payment card networks will make claims against us. These claims will likely include amounts for incremental counterfeit fraud losses and non-ordinary course operating expenses (such as card reissuance costs) that the payment card networks assert they or their issuing banks have incurred. If the payment card networks assert claims against us, we currently intend to dispute those claims and assert available defenses. At the present time, we cannot reasonably estimate a range of losses because to date no claims have yet been asserted and because significant factual and legal issues remain unresolved. We will continue to evaluate information as it becomes known and will record an estimate of loss when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable. As a result of the criminal intrusions, two class action complaints were filed against us by consumers and are currently pending, *Mertz v. SuperValu Inc. et al.* filed in federal court in the state of Minnesota and *Rocke v. SuperValu Inc. et al.* filed in federal court in the state of Idaho, alleging deceptive trade practices, negligence and invasion of privacy. Plaintiffs seek unspecified damages. The Judicial Panel on Multidistrict Litigation has consolidated the class actions and transferred the cases to the District of