

Table of Contents**AB ACQUISITION LLC AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements (unaudited)****NOTE 9—COMMITMENTS, CONTINGENCIES AND OFF BALANCE SHEET ARRANGEMENTS****Guarantees**

California Department of Industrial Relations: On October 24, 2012, the Office of Self-Insurance Plans, a program within the director's office of the California Department of Industrial Relations (the "DIR"), notified SuperValu that additional security was required to be posted in connection with the Company's, and certain other subsidiaries', California self-insured workers' compensation obligations pursuant to applicable regulations. The notice from the DIR stated that the additional security was required as a result of an increase in estimated future liabilities, as determined by the DIR pursuant to a review of the self-insured California workers' compensation claims with respect to the applicable businesses, and a decline in SuperValu's net worth. A security deposit of \$271.0 million was demanded in addition to security of \$427.0 million provided through SuperValu's participation in California's Self-Insurer's Security Fund (the "Fund"). SuperValu appealed this demand. The Fund has attempted to create a secured interest in certain assets of the Company for the total amount of the additional security deposit. The dispute with the Fund and the DIR was resolved through a settlement agreement as part of the NAI acquisition on March 21, 2013 and the primary obligation to the Fund and the DIR was retained by the Company following the NAI acquisition. Subsequent to the NAI acquisition, the Company set up a fund of \$75.0 million to be used for the payment of future claims. In addition, the Company provided to the DIR a \$225.0 million LOC to collateralize any of the self-insurance workers' compensation future obligations in excess of the \$75.0 million fund. As of November 27, 2014, the entire fund has been used to pay claims. Prior to January 21, 2014, the California Self Insurers' Security Fund also held mortgage liens against the Jewel real estate assets as collateral. On January 21, 2014, the Company entered into a Collateral Substitution Agreement with the California Self-Insurers' Security Fund to provide an irrevocable LOC to replace the mortgage liens against the Jewel real estate assets and the previously issued \$225.0 million LOC. The amount of the LOC is adjusted semi-annually based on annual filings of an actuarial study reflecting liabilities as of December 31 of each year reduced by claim closures and settlements. The related LOC were \$284.1 million and \$338.0 million as of June 20, 2015 and February 28, 2015, respectively.

The Company may have liability under certain operating leases that were assigned to third parties. If any of these third parties fail to perform under the leases, the Company could be responsible for the lease obligation. In connection with the FTC-mandated divestitures, the Company assigned leases with respect to 93 store properties to Haggen. On August 14, 2015, Haggen announced that it intended to close 26 stores (including 18 leased stores and one ground-leased store) that the Company sold to it and that it may close or sell additional stores in the future. On September 8, 2015, Haggen commenced a case under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware, and on September 14, 2015, Haggen filed a motion in its bankruptcy case for an order authorizing and approving procedures for the rejection of unexpired leases (but stating that the motion did not seek to assume or reject any particular lease). On September 24, 2015, Haggen filed a motion to implement procedures to close 99 additional stores that the Company sold to it (including 56 leased stores and nine ground-leased stores). The aggregate undiscounted lease obligations under the 93 stores assigned to Haggen is approximately \$286 million. Should Haggen reject its obligations under the assigned leases, or otherwise default on its lease obligations, the Company could be responsible for the obligations of Haggen under such leases. The Company does not know the extent to which Haggen will reject or default on its lease obligations to third parties or whether Haggen will be successful in selling store leases to third parties. The Company also does not know what defenses may be available to it, including any loss mitigation obligations of Haggen's landlords under the terms of the leases or applicable law. As a result, the Company is currently unable to estimate its losses with respect to its contingent liability with respect to the Haggen leases.