AB ACQUISITION LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)

With respect to the remainder of the leases the Company assigned to third parties, because of the wide dispersion among third parties and the variety of remedies available, the Company believes that if an assignee became insolvent, it would not have a material effect on the Company's financial condition, results of operations or cash flows. No liability has been recorded for assigned leases in the Company's consolidated balance sheet related to these contingent obligations.

The Company also provides guarantees, indemnifications and assurances to others in the ordinary course of its business.

Legal Contingencies

Various claims and lawsuits arising in the normal course of business, including suits charging violations of certain wage and hour or civil rights laws, are pending against the Company. Some of these suits purport or have been determined to be class actions and/or seek substantial damages. Any damages that may be awarded in antitrust cases will be automatically trebled.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where the loss contingency can be reasonably estimated and an adverse outcome is probable. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. Management currently believes that the aggregate range of reasonably possible loss for the Company's exposure in excess of amounts accrued is expected to be immaterial to the Company. It remains possible that despite management's current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material effect on the Company's financial condition, results of operations, or cash flows.

Action against Haggen: Subsequent to the end of the Company's fiscal 2015 first quarter, on June 29, 2015, counsel for Haggen delivered a notice of claims to Albertson's LLC and Albertson's Holdings LLC asserting that those companies had committed fraud and breached the Asset Purchase Agreement under which Haggen purchased 146 divested stores by improperly transferring inventory out of purchased stores, overstocking and understocking inventory, failing to advertise in the ordinary course of business, misusing confidential information and failing to use commercially reasonable efforts to preserve existing relationships. Haggen made no specific monetary demands, but withheld payment of approximately $41.1 million due for purchased inventory at 38 stores on the basis of these allegations. On July 17, 2015, Albertson's LLC and Albertson's Holdings LLC commenced a lawsuit against Haggen in the Superior Court of Los Angeles County, alleging claims for breach of contract and fraud arising out of Haggen's failure to pay the approximately $41.1 million due for the purchased inventory. On July 20, 2015, an essentially identical complaint was filed in the Superior Court of the State of Delaware in and for New Castle County. On August 26, 2015, the Company voluntarily dismissed the action it had commenced in Superior Court in Los Angeles County.

On September 1, 2015, Haggen commenced a lawsuit against Albertson's LLC and Albertson's Holdings LLC in the United States District Court for the District of Delaware, alleging claims for violation of Section 7 of the Clayton Act, attempted monopolization under the Sherman Act, breach of contract, indemnification, breach of implied covenant of good faith and fair dealing, fraud, unfair competition, misappropriation of trade secrets under the Uniform Trade Secrets Acts, conversion and violation of the Washington Consumer Protection Act. In the complaint, Haggen alleged that the Company, among other actions set out in the complaint, misused Haggen's confidential information to draw customers away from Haggen stores, provided inaccurate, incomplete