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and misleading inventory data and pricing information on products transferred to Haggen, deliberately understocked and overstocked inventory in stores acquired by Haggen and wrongfully cut off advertising prior to the transfer of the stores to Haggen. Furthermore, Haggen alleged that, if it is destroyed as a competitor, its damages may exceed \$1 billion, and asserted it is entitled to treble and punitive damages and to seek rescission of the asset purchase agreement. Haggen has further moved to transfer the lawsuit the Company commenced in Superior Court of the State of Delaware to the United States District Court for the District of Delaware. The Company's Delaware state court case is now stayed due to Haggen's Chapter 11 bankruptcy case. The Company believes that the claims asserted by Haggen are without merit and intends to vigorously defend against the lawsuit. Based on the proceedings to date, the Company is unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An unfavorable resolution of the litigation could subject the Company to significant liabilities.

On September 8, 2015, Haggen filed a petition for protection under Chapter 11 of the U.S. Bankruptcy Code. Consequently, the Company recorded an allowance of \$41 million against the amount owed by Haggen for the purchased inventory during the second quarter ended September 12, 2015.

Appraisal of Safeway Inc.: Certain stockholders of Safeway common stock sought appraisal rights under Section 262 of the Delaware General Corporation Law, requesting a determination that the per share acquisition consideration payable in the acquisition does not represent fair value for their shares. Five separate actions have been filed in Delaware Chancery Court, now consolidated under the title *In re Appraisal of Safeway Inc.*, by stockholders claiming to hold approximately 17.7 million shares. In May 2015, the Company settled with stockholders holding approximately 14.0 million shares for \$621 million plus one Casa Ley contingent value right ("CVR") for each Safeway share. The settlement consisted of \$487 million (\$34.92 per share) of purchase consideration and \$134 million of expense, both recorded in fiscal 2014. Of the \$621 million, approximately \$100 million was paid in fiscal 2014, and the remainder was paid in the first quarter of 2015, including \$387 million in acquisition consideration. Still remaining as petitioners are holders of approximately 3.7 million shares. These remaining petitioners have previously accepted a tender offer of the \$34.92 per share acquisition consideration, which stops statutory interest from accruing on that amount of any recovery. A reserve for outstanding appraisal claims has been established by the Company. If the remaining petitioners are successful in the appraisal proceeding, they could be entitled to more for their stock than the per share acquisition consideration payable in the acquisition, plus statutory interest on that additional amount.

Security Breach: On August 14, 2014, AB Acquisition announced that it had experienced a criminal intrusion by installation of malware on a portion of its computer network that processes payment card transactions for retail store locations for its *Shaw's, Star Market, Acme, Jewel-Osco* and *Albertsons* retail banners. On September 29, 2014, the Company announced that it had experienced a second and separate criminal intrusion. The Company believes these were attempts to collect payment card data. The Company, relying on its IT service provider, SuperValu, took immediate steps to secure the affected part of its network. The Company believes that it has eradicated the malware used in each intrusion. The Company has notified federal law enforcement authorities, the major payment card networks, and its insurance carriers and is cooperating in their efforts to investigate these intrusions. As required by the payment card networks, the Company retained a firm to conduct a forensic investigation into the intrusions. Recently, the firm issued a report for the first intrusion (a copy of which has been provided to the card networks), finding that, although the Company's network had previously been found to be compliant with payment card industry data security standards (PCI DSS), not all of these standards had been met, and this non-compliance may have contributed to or caused at least some portion of the compromise that occurred during the first intrusion. A report for the second intrusion is still pending.