

Table of Contents

AB ACQUISITION LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Immediately following the Fiscal 2014 Unit Splits, certain investors and management contributed \$1,250.0 million and \$54.8 million, respectively, in the Company in exchange for additional ABS and NAI units. Management's contribution of \$33.2 million was in connection with the termination of the Company's long-term incentive plans ("LTIPs"). The remaining contribution of \$21.6 million was funded in the form of a loan from the Company to its executive officers for the purchase of 2.8 million units each of ABS units, NAI units and Safeway units and is accounted for as an equity-based compensation award.

The equityholders' agreement, as amended, with the existing holders of the ABS, NAI, and Safeway units, provides, among other things, for preemptive or anti-dilution rights that entitle the unitholder the right to purchase additional units to give them the same pro rata percentage ownership in the event additional units are issued. Restrictions on the transfer of units require that a member transfer its ABS units, NAI units and Safeway units on a *pari passu* percentage basis to the total number of ABS units, NAI units and Safeway units to the same holder. Furthermore, if the Company enters into a recapitalization, reorganization, merger, conversion, contribution, exchange and/or other restructuring in connection with an initial public offering ("IPO"), each investor member will receive a proportionate number of shares such that the fair value of the units exchanged will equal the fair value of units received.

The members' agreement, as amended, established a management board comprised of 10 voting members, representing the institutional and individual investors. In addition, each member will maintain certain voting rights commensurate with the ownership in the Company. No specific voting rights are associated with the share classes described below. The Company has issued an identical number of ABS units, NAI units and Safeway units to its members, each of which holds a similar ownership percentage in each class of unit and has similar features. Each class of unit participates in the profits and losses of the respective subsidiary. The Company characterizes a single unit each of ABS, NAI and Safeway units as a Common unit.

Albertson's Units (ABS Units)

The ABS Units represent percentage ownership interests in the Company. The holders of the units are entitled to participate in cash distributions of Albertson's in connection with their respective ownership percentages of ABS units up to an amount, in aggregate with the NAI and Safeway distributions, of \$2,308.6 million. Upon achieving aggregate distributions of \$2,308.6 million, cash distributions of Albertson's will be made to unitholders pro rata in proportion to the number of ABS units, vested Series-1 incentive units and Investor incentive units outstanding. In the event of a dissolution of the Company and liquidation of its assets, the same distribution terms will apply after payment to creditors. The ABS unitholders are entitled to allocations of profits and losses derived from Albertson's for each fiscal period in accordance with the liquidation distribution terms.

New Albertson's Units (NAI Units)

The NAI units represent percentage ownership interests in the Company. The holders of the units are entitled to participate in cash distributions of NAI in connection with their respective ownership percentages of NAI units up to an amount, in aggregate with the Albertson's and Safeway distributions, of \$2,308.6 million. Upon achieving aggregate distributions of \$2,308.6 million, cash distributions of NAI will be made to unitholders pro rata in proportion to the number of NAI units, vested Series-1 incentive units and Investor incentive units outstanding. In the event of a dissolution of the Company