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AB ACQUISITION LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements

and liquidation of its assets, the same distribution terms will apply after payment to creditors. The NAI unitholders are entitled to allocations of profits and losses derived from NAI for each fiscal period in accordance with the liquidation distribution terms.

Safeway Units

The Safeway units represent percentage ownership interests in the Company. The holders of the units are entitled to participate in cash distributions of Safeway in connection with their respective ownership percentages of Safeway units up to an amount, in aggregate with the Albertson's and NAI distributions, of \$2,308.6 million. Upon achieving aggregate distributions of \$2,308.6 million, cash distributions of Safeway will be made to unitholders pro rata in proportion to the number of Safeway 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 Safeway unitholders are entitled to allocations of profits and losses derived from Safeway for each fiscal period in accordance with the liquidation distribution terms.

Series-1 Incentive Units

The Company granted 3.3 million Series-1 incentive units to a member of management, with 16.8 million Series-1 incentive units reserved for future issuance. The holders of the units are entitled to participate in cash distributions of Albertson's, NAI and Safeway based on their respective ownership percentages of the aggregate of ABS units, NAI units, Safeway units, vested Series-1 incentive units and Investor incentive units outstanding. All distributions are on a subordinate basis to the \$2,308.6 million aggregate distributions to Albertson's, NAI and Safeway unitholders; after which they participate on a pro rata basis. The Series-1 incentive units are accounted for as employee equity-based compensation.

Investor Incentive Units

The Company also granted 14.9 million Investor incentive units to five institutional investors and a member of management. The holders of the Investor Incentive units are entitled to participate in cash distributions of Albertson's, NAI and Safeway based on their respective ownership percentages of aggregate ABS, NAI and Safeway units, vested Series-1 incentive units and Investor incentive units outstanding. All distributions are on a subordinate basis to the \$2,308.6 million aggregate distributions to Albertson's, NAI and Safeway unitholders, after which they participate on a pro rata basis. The units are convertible to an equal number of ABS units, NAI units and Safeway units reflecting the fair market value of such units as of the conversion date, which is the earlier of (i) January 30, 2020 and (ii) the effective date of consummation of an IPO of the Company (or any conversion entity) or a sale of all or substantially all of the equity of the Company or of the consolidated assets of the Company and its subsidiaries. The Investor incentive units vested immediately and contain no voting rights.

The Investor incentive units issued to the five institutional investors were accounted for under the guidance for equity-based payments to non-employees. The Investor incentive units issued to the member of management were accounted for as employee equity-based compensation.

Members' Equity Presentation and Disclosure

As discussed above, the Company effected the Fiscal 2014 Unit Splits, which has been applied retroactively in the accompanying Consolidated Financial Statements and the related footnotes thereto, with the exception of this footnote.