

Table of Contents**AB ACQUISITION LLC AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

As of February 28, 2015, the Company has authorized 300.0 million Common units, with each Common unit consisting of a single ABS Unit, a NAI Unit and a Safeway Unit, of which 297.2 million Common units are issued and outstanding, with 2.8 million units representing the units associated with member loans described above. The Company has also issued 14.9 million units of Investor incentive units, of which 11.6 million were issued to certain institutional investors and 3.3 million to a member of management. The Company has also authorized 20.1 million units of Series-1 incentive units, of which 3.3 million units have been granted as of February 28, 2015 and are subject to vesting terms.

The following table depicts how the historical equity capitalization is presented in the Consolidated Statements of Members' (Deficit) Equity. This presentation is based on the underlying subsidiaries' profits and losses that these units participate in, which are also described in the preceding paragraphs.

<u>Consolidated Statements of Members' (Deficit) Equity</u>	<u>ABS units</u>	<u>NAI units</u>	<u>Safeway units</u>
Fiscal 2012	Class A units Class B units		
Fiscal 2013	Class A ABS units Class B ABS units	Class A NAI units Class B NAI units	
Fiscal 2014	ABS units	NAI units	Safeway units

**Note 10—Equity-Based Compensation**

The Company has issued incentive units and other units to management and key investors who provided consulting services to the Company under the equityholders' agreement, as amended. Compensation costs for employees are recognized, net of any estimated forfeitures, on a straight-line basis over the requisite service periods. For equity awards issued as of February 28, 2015, no forfeiture rate was assumed due to the limited number of executive employees who were granted the awards and the remote likelihood of their termination of employment prior to the end of any requisite service period associated with the vesting of the award. Equity-based compensation expense recognized in the accompanying Consolidated Statements of Operations and Comprehensive (Loss) Income was \$344.1 million and \$6.2 million in fiscal 2014 and fiscal 2013, respectively. No tax benefit was recognized for equity-based compensation for fiscal 2014 and fiscal 2013.

The equity-based compensation expense consisted of the following:

	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>
Equity-based compensation expense related to employees:		
Class C units	\$ 14.1	\$ 6.2
Investor incentive units and Series-1 incentive units	76.2	—
Loans to members	62.2	—
Equity-based compensation expense to employees	<u>\$ 152.5</u>	<u>\$ 6.2</u>
Equity-based compensation expense to non-employees		
Investor incentive units	191.6	—
Equity-based compensation expense to non-employees	191.6	—
Total equity-based compensation expense	<u>\$ 344.1</u>	<u>\$ 6.2</u>