

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

- (1) The carrying value of these items approximates fair value.
- (2) These investments are valued based on the Net Asset Value ("NAV") of the underlying investments and are provided by the fund issuers.
- (3) The fair value of common stock is based on the exchange quoted market prices. When quoted prices are not available for preferred stock, an industry standard valuation model is used which maximizes observable inputs.
- (4) The fair value of corporate bonds is generally based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the fair value is based upon an industry valuation model, which maximizes observable inputs.
- (5) The fair value of mortgage- and other asset-backed securities is generally based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for comparable securities, the fair value is based upon an industry model which maximizes observable inputs.
- (6) These investments are publicly traded investments, which are valued using the NAV. The NAV of the mutual funds is a quoted price in an active market. The NAV is determined once a day after the closing of the exchange based upon the underlying assets in the fund, less the fund's liabilities, expressed on a per share basis.
- (7) The fair value of U.S. government securities is based on quoted market prices when available. When quoted prices are not available, the fair value of U.S. government securities is based on yields currently available on comparable securities or on an industry valuation model that maximizes observable inputs.
- (8) Level 2 Other Securities, which consist primarily of U.S. municipal bonds, foreign government bonds and foreign agency securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Also included in Other Securities are exchange-traded derivatives that are valued based on quoted prices in an active market for identical derivative assets and liabilities. Non-exchange-traded derivatives are valued using industry valuation models, which maximize observable inputs, such as interest-rate yield curve data, foreign exchange rates and applicable spot and forward rates.

Level 3 Other Securities consist primarily of a commingled fund valued based on the NAV of the underlying investments and is provided by the fund issuer.

A reconciliation of the beginning and ending balances for Level 3 assets for the fiscal year ended February 28, 2015 follows (in millions):

	Fair Value Measured Using Significant Unobservable Inputs (Level 3)				
	Total	Corporate Bonds	Mortgage- and other Asset-Backed Securities	U.S. Government Securities	Other Securities
Balance, beginning of year	\$ —	\$ —	\$ —	\$ —	\$ —
Safeway acquisition	26.2	0.7	0.3	0.1	25.1
Purchases, sales, settlements, net	(2.6)	(0.7)	—	—	(1.9)
Transfer out of Level 3	(0.3)	—	(0.3)	—	—
Unrealized gains	1.0	—	—	—	1.0
Balance, end of year	<u>\$24.3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ 24.2</u>

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