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SAFeway INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Dominick's During the fourth quarter of 2013, Safeway sold or closed all Dominick's stores. Cash proceeds on the sale of these stores sold in fiscal 2013 were \$72.2 million. Stores closed in 2013 but sold in fiscal 2014 had cash proceeds of \$246.3 million. The sale of these stores resulted in a pre-tax gain of \$140.9 million in fiscal 2014 and a pre-tax loss of \$493.1 million in fiscal 2013, which includes a charge of \$310.8 million for the estimated multiemployer pension plan withdrawal liability. During fiscal 2014, the Company increased the estimated multiemployer pension plan withdrawal liability by \$159.4 million, which is included in loss from discontinued operations in the following table. See Note O for a discussion and reconciliation of this withdrawal liability.

Blackhawk On March 24, 2014, Safeway's Board of Directors declared a special stock dividend to its stockholders of all of the 37.8 million shares of Class B common stock of Blackhawk owned by Safeway, representing approximately 94.2% of the total outstanding shares of Blackhawk's Class B common stock and approximately 72% of the total number of shares of Blackhawk common stock of all classes outstanding. On April 14, 2014, Safeway distributed the special stock dividend to all Safeway stockholders of record as of April 3, 2014 (the "Record Date"). The distribution took place in the form of a pro rata dividend of Blackhawk Class B common stock to each Safeway stockholder of record as of the Record Date.

With the completion of the Merger subsequent to year-end, Safeway's distribution of Blackhawk shares is taxable. Based on Safeway's preliminary estimates and after the application of \$82 million in tax payments previously made in connection with Safeway's sale of shares in the initial public offering of Blackhawk's Class A common stock in April 2013, Safeway expects that the distribution of Blackhawk shares will result in an incremental tax liability of approximately \$360 million, which Safeway is required to fund. In accordance with generally accepted accounting principles, Safeway did not consider the probability of the Merger occurring and, therefore, has not recorded a liability for its obligation to fund Blackhawk's tax obligation. During 2014, Safeway paid approximately \$355 million of the incremental tax liability.

In addition, during 2014, Blackhawk made certain estimated tax payments to certain state tax jurisdictions. Safeway advanced approximately \$27.7 million to Blackhawk to fund these estimated tax payments. Safeway recorded these advances as receivables on the condensed consolidated balance sheet because, in accordance with generally accepted accounting principles, Safeway did not consider the probability of the Merger occurring. In the event the Merger did not occur, Blackhawk would have been required to repay these advances to Safeway.

Genuardi's In January 2012, Safeway announced the planned sale or closure of its Genuardi's stores, located in the Eastern United States. These transactions were completed during 2012 with cash proceeds of \$107.0 million and a pre-tax gain of \$52.4 million (\$31.9 million after tax).

Note C: Blackhawk

Initial Public Offering of Blackhawk On April 24, 2013, Blackhawk, a former Safeway subsidiary, completed its initial public offering of 11.5 million shares of its Class A common stock at \$23.00 per share on the NASDAQ Global Select Market, which included the exercise by the underwriters for the offering of an option to purchase 1.5 million shares of Class A common stock. The offering consisted solely of shares offered by existing stockholders, including Safeway. As part of the IPO, Safeway sold 11.3 million shares of Class A common stock of Blackhawk for proceeds of \$243.6 million (\$238.0 million, net of professional service fees), reducing the Company's ownership from approximately 95% to approximately 73% of Blackhawk's total outstanding shares of common