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**SAFeway INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

were subject to certain transfer restrictions and forfeiture prior to vesting. Deferred stock compensation, representing the fair value of the stock at the measurement date of the award, is amortized to compensation expense over the vesting period. The amortization of restricted stock resulted in compensation expense for continuing operations of \$25.5 million in 2014, \$15.8 million in 2013 and \$13.1 million in 2012. See Note V for additional information.

**Performance Share Awards** In 2014, 2013 and 2012, Safeway granted performance share awards to certain executives. These performance share awards, covering a target of approximately 2.7 million shares, vested over three years. The 2014 performance share awards were subject to the achievement of specified levels of revenue growth and return on invested capital, as modified based on the Company's total stockholder return. The 2013 and 2012 performance share awards were subject to the achievement of earnings per share goals determined on a compound annual growth rate basis relative to the S&P 500. Safeway recorded expense of \$3.5 million in 2014 related to the 2014 awards. The Company recorded expense of \$14.9 million in 2013 and \$9.8 million in 2012 related to the 2013 and 2012 awards based on the then expected achievement of the performance targets. In the second quarter of 2014, the Company determined that it no longer believed that achievement of the performance targets related to the 2013 and 2012 awards was probable. Accordingly, in the second quarter of 2014, the Company reversed \$18.8 million of previously recorded expense on unvested performance shares.

Pursuant to the terms of the Merger Agreement, all of the performance shares vested upon closing of the Merger. However, in accordance with generally accepted accounting principles, Safeway did not consider the probability of the Merger occurring in recording stock-based compensation expense.

On January 30, 2015, subsequent to the fiscal 2014 year end and in connection with the Merger, all outstanding stock option awards, performance shares, restricted stock units and restricted stock awards issued pursuant to various stockholder-approved plans and a stockholder-authorized employee stock purchase plan were automatically canceled in exchange for the right to receive certain cash consideration.

Activity in the Company's stock option plans for the year ended January 3, 2015 was as follows:

	Options	Weighted- average exercise price	Aggregate intrinsic value (in millions)
Outstanding, beginning of year	7,728,655	\$ 21.85	\$ 82.3
<b>2014 Activity:</b>			
Granted	773,347	38.02	
Canceled	(433,808)	22.29	
Exercised	(1,913,866)	18.42	
Outstanding, end of year	6,154,328	\$ 19.95	\$ 93.4
Exercisable, end of year(1)	2,869,781	\$ 17.31	\$ 51.1
Vested and expected to vest, end of year(2)	5,215,892	\$ 19.38	\$ 82.2

(1) The remaining weighted-average contractual life of these options is 5.3 years.

(2) The remaining weighted-average contractual life of these options is 6.6 years.