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

Also included in Other Securities are exchange-traded derivatives that are valued based on quoted prices in an active market for identical derivatives; 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.

See Note I for a discussion of levels.

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

	Fair Value Measured Using Significant Unobservable Inputs (Level 3)			
	Total	Corporate bonds	U.S. government securities	Other securities
Balance, beginning of year	\$ 7.9	\$ —	\$ 0.1	\$ 7.8
Purchases, sales, settlements, net	19.7	0.7	—	19.0
Unrealized gains	(2.3)	—	—	(2.3)
Balance, end of year	<u>\$25.3</u>	<u>\$ 0.7</u>	<u>\$ 0.1</u>	<u>\$ 24.5</u>

The fair value of Safeway's pension plan assets at December 28, 2013, excluding pending transactions of \$37.2 million, by asset category are as follows (in millions):

	Fair Value Measurements			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category:				
Cash and cash equivalents(1)	\$ 30.2	\$ 29.0	\$ 1.2	\$ —
Short-term investment collective trust(2)	18.2	—	18.2	—
Common and preferred stock:(3)				
Domestic common and preferred stock	270.4	269.9	0.5	—
International common stock	38.5	38.5	—	—
Common collective trust funds(2)	611.2	—	611.2	—
Corporate bonds(4)	101.1	—	101.1	—
Mortgage- and other asset-backed securities(5)	62.3	—	62.3	—
Mutual funds(6)	183.8	5.9	177.9	—
U.S. government securities(7)	335.8	—	335.7	0.1
Other securities(8)	29.9	3.1	19.0	7.8
Total	<u>\$1,681.4</u>	<u>\$ 346.4</u>	<u>\$ 1,327.1</u>	<u>\$ 7.9</u>

(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.