

Table of Contents**SAFeway INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

On January 30, 2015, Safeway entered into a contingent value rights agreement with respect to the PDC CVRs with AB Acquisition, the Shareholder Representative (as defined in the agreement), Computershare Inc. and Computershare Trust Company, N.A., as rights agent (the "PDC CVR Agreement") providing for the terms of the PDC CVRs. Pursuant to the PDC CVR Agreement, a PDC CVR will entitle the holder to a pro rata share of the net proceeds from any deferred consideration relating to the sale of the assets of PDC.

Sale of Eastern Division As contemplated by the Merger Agreement, immediately after the closing of the Merger, Safeway completed the sale of its Eastern division business ("EDS") to New Albertson's, Inc., an Ohio corporation and indirect subsidiary of Safeway's ultimate parent company AB Acquisition ("New Albertsons"). In a two-step sale process, Safeway contributed certain EDS assets and liabilities to a newly formed subsidiary and sold the interests in the subsidiary to New Albertsons. New Albertsons acquired the new EDS subsidiary for a purchase price of approximately \$659 million, subject to customary adjustments. Safeway also agreed to provide certain intercompany services and licenses to the new EDS subsidiary after the sale.

Effect of Merger on Debt

Change of Control Tender Offer In December 2014, Safeway commenced a change of control tender offer to purchase any and all of the outstanding series of the \$500 million of 5.00% Senior Notes due August 15, 2019, the \$500 million of 3.95% Senior Notes due August 15, 2020 and the \$400 million of 4.75% Senior Notes due December 1, 2021. This offer expired on January 30, 2015 and required Safeway to pay \$1,010 per \$1,000 principal amount of the senior notes, plus accrued and unpaid interest that were validly tendered. On February 2, 2015, a change of control payment of \$873.2 million, based on a principal amount of \$864.6 million of tendered notes and \$14.2 million of accrued interest was paid.

Credit Agreement At the closing of the Merger, Safeway's credit agreement, as discussed under the caption "Bank Credit Agreement" in Note G, was terminated.

New Bonds In connection with the Merger, Safeway is an obligor and its domestic subsidiaries are guarantors of \$609.7 million in principal amount of 7.750% senior secured notes due 2022 (the "2022 Notes"), after repayment of some of the 2022 Notes on February 9, 2015. As a result of the issuance of these notes and pursuant to Safeway's existing indenture, our Senior Notes due 2016, Senior Notes due 2017 and Senior Notes due 2019 were guaranteed by Albertson's Holdings LLC and its domestic subsidiaries, including Safeway's domestic subsidiaries, and are ratably and equally secured by the assets, subject to certain limited exceptions, of Albertson's Holdings LLC and its subsidiaries that are co-issuers or guarantors of the 2022 Notes, including Safeway and its subsidiaries. Our Senior Notes due 2020, Senior Notes due 2021, Senior Notes due 2027 and Senior Notes due 2031 are equally and ratably secured by the assets (other than accounts receivable, merchandise inventory, equipment or intellectual property) of Safeway and its domestic subsidiaries, but are not guaranteed by Albertson's Holdings LLC or any of its subsidiaries, including the Safeway subsidiaries.

ABL Agreement On March 21, 2013, our parent company, Albertson's Holdings LLC, entered into an asset-based revolving credit agreement among Albertson's Holdings LLC, Albertson's LLC, the guarantors from time to time party thereto, the lenders from time to time party thereto and Bank of America N.A., as administrative and collateral agent. This agreement was amended on January 30, 2015 (as amended, the "ABL Agreement") in connection with the Merger, whereby Albertson's LLC, Safeway and certain of their affiliates became the borrowers thereunder (the "ABL Borrowers").