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**NEW ALBERTSON'S BUSINESS OF SUPERVALU INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

February 21, 2013 and February 23, 2012

(Dollars in millions)

(p) Benefit Plans

NAI recognizes the funded status of the specific defined benefit plan it sponsors in its Combined Balance Sheets and gains or losses and prior service costs or credits not yet recognized as a component of Other comprehensive income (loss), net of tax, in the Combined Statements of Operations and Comprehensive Income (Loss) and Combined Statements of Parent Company Deficit. The determination of NAI's obligation and related expense for the NAI sponsored pension benefits is dependent, in part, on management's selection of certain actuarial assumptions in calculating these amounts. These assumptions include, among other things, the discount rate and the expected long-term rate of return on plan assets. These assumptions are disclosed in note 10—Benefit Plans. Actual results that differ from the assumptions are accumulated and amortized over future periods in accordance with accounting standards.

The Parent sponsors other pension and postretirement plans in various forms covering substantially all employees, including NAI employees, who meet eligibility requirements.

NAI and Parent also contribute to various multiemployer pension plans under collective bargaining agreements, primarily defined benefit pension plans. Pension expense for these plans is recognized as contributions are funded. Refer to note 10—Benefit Plans for additional information on NAI's participation in those multiemployer plans.

(q) Stock-Based Compensation

Parent maintains various stock option, restricted stock, and performance award plans for benefit of certain key salaried employees, including NAI's employees. Parent accounts for stock-based compensation in accordance with the Financial Accounting Standards Board (FASB) guidance, which requires all share-based payments to employees to be recognized in the Combined Statements of Operations and Comprehensive Income (Loss) based upon their fair values.

Parent uses the straight-line method to recognize compensation expense based on the fair value on the date of grant, net of the estimated forfeitures, over the requisite period related to each award. The fair value of stock options is estimated as of the date of grant using the Black-Scholes option pricing model using Level 3 inputs. The estimation of the fair value of stock options incorporates certain assumptions, such as risk-free interest rate and expected volatility, dividend yield and life of options.

The fair value of performance awards granted under Parent's long-term incentive program (LTIP), is estimated as of the date of the grant using the Monte Carlo option pricing model using Level 3 inputs. Certain performance awards contain a variable cash settlement feature that is measured at fair value on a recurring basis using Level 3 inputs as described in note 6—Fair Value Measurements. The estimation of the fair value of each performance award, including the cash settlement feature, incorporates certain assumptions such as risk-free interest rate and expected volatility, dividend yield, and life of the awards. The fair value of the cash settlement feature that is subject to fair value measurement on a recurring basis was insignificant as of February 21, 2013 and February 23, 2012.

Stock-based employee compensation expenses specifically charged to NAI for NAI employees and recognized as a component of Selling and administrative expense within the Combined Statements of Operations and Comprehensive Income (Loss) was \$7 annually for fiscal year 2012, 2011 and 2010.