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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)

Changes in NAI's unrecognized tax benefits consisted of the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance	\$132	150	115
Increase related to tax positions taken in current year	2	10	12
Decrease related to tax positions taken in current year	(1)	(1)	(1)
Increase related to tax positions taken in prior years	92	15	29
Decrease related to tax position taken in prior years	(77)	(39)	(6)
Increase (decrease) related to lapse of statute of limitations	(1)	(3)	1
Ending balance	<u>\$147</u>	<u>132</u>	<u>150</u>

Included in the balance of unrecognized tax benefits as of February 21, 2013, February 23, 2012 and February 24, 2011 are tax positions of \$32 net of tax, \$44 net of tax, and \$48 net of tax, respectively, which would reduce NAI's effective tax rate if recognized in future periods.

NAI, through its Parent, expects to resolve, net of any state tax effect, matters relating to \$6 of unrecognized tax benefits within the next 12 months, representing several individually insignificant income tax positions. These unrecognized tax benefits represent items in which NAI may not prevail with certain taxing authorities, based on varying interpretations of the applicable tax law. NAI, through its Parent, is currently in various stages of audits, appeals or other methods of review with authorities from various taxing jurisdictions. The resolution of these unrecognized tax benefits would occur as a result of potential settlements of these negotiations. Based on the information available as of February 21, 2013, NAI does not anticipate significant additional changes to its unrecognized tax benefits.

NAI recognized expense related to interest and penalties, net of settlement adjustments, of \$7, \$2 and \$6 for fiscal 2012, 2011 and 2010, respectively.

NAI, through its Parent, is currently under examination or other methods of review in several tax jurisdictions and remains subject to examination until either the statute of limitations expires for the respective taxing jurisdiction or an agreement is reached between the taxing jurisdiction and NAI. As of February 21, 2013, NAI, through its Parent, is no longer subject to federal income tax examinations for fiscal years before 2007 and in most states is no longer subject to state income tax examinations for fiscal years before 2005.

(10) Benefit Plans

Substantially all employees of NAI are covered by various contributory and noncontributory pension, profit sharing or 401(k) plans. Most union employees participate in multiemployer retirement plans under collective bargaining agreements, unless the collective bargaining agreement provides for participation in plans sponsored by Parent. In addition, Parent provides healthcare and life insurance