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**UNITED SUPERMARKETS, L.L.C.**  
**Notes to Financial Statements**  
(Dollars in thousands)

**Note 1. Organization and Business**

United Supermarkets, L.L.C. is a Texas limited liability company that operates a chain of 51 retail grocery stores and 26 fuel facilities that include 7 convenience stores and 19 convenience kiosks throughout Texas. United also operates two distribution centers, an ice manufacturing plant and a food manufacturing plant, all located in Lubbock, Texas, as well as a third distribution center located in Roanoke, Texas.

The Company was acquired by Albertson's LLC on December 29, 2013. All of pre-existing notes payable were paid off. Expenses related to the transaction (primarily for employee compensation and advisory fees) for the eleven-month period ended December 28, 2013 were \$32,514, which is recorded in the statement of comprehensive income.

These financial statements were prepared using the Company's historical basis of accounting applicable to periods before the acquisition and therefore these financial statements do not reflect any change in accounting basis resulting from the acquisition.

**Note 2. Summary of Significant Accounting Policies**

**Fiscal year:** Prior to 2014, the Company's fiscal year ended on the last Saturday of January. The eleven-month period ended December 28, 2013 consisted of 48 weeks and the fiscal year ended January 26, 2013 consisted of 52 weeks.

**Accounts receivable:** Accounts receivable are typically unsecured and are derived from revenues earned from the Company's customers, third-party insurance carriers or vendors. The Company maintains an allowance for doubtful accounts based upon the expected collectability of all receivables. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. The Company continually reviews its allowance for doubtful accounts. The allowance for doubtful accounts was \$458 and \$611 as of December 28, 2013 and January 26, 2013, respectively. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

**Inventories:** Inventories are valued at cost, which is not in excess of market, using the last-in, first-out (LIFO) method for grocery, dairy, frozen foods, pharmacy products, general merchandise, and health and beauty aids. The first-in, first-out (FIFO) method is used for other inventories, consisting primarily of meat, produce, and bakery products. The following is a summary of inventory at December 28, 2013 and January 26, 2013:

	December 28, 2013	January 26, 2013
Inventories recorded at LIFO	\$ 59,820	\$ 59,834
Inventories recorded at FIFO	30,769	28,774
Total inventories	<u>\$ 90,589</u>	<u>\$ 88,608</u>

If inventories recorded at LIFO would have been valued on a FIFO basis, inventories would have been approximately \$26,393 and \$25,993 higher at December 28, 2013 and January 26, 2013, respectively.