

## Section 1: 10-Q (10-Q)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

### FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended November 30, 2019**

**OR**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File Number: 333-205546



**Albertsons Companies, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-4376911

(I.R.S. Employer Identification No.)

250 Parkcenter Blvd.

Boise, Idaho 83706

(Address of principal executive offices and zip code)

(208) 395-6200

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of January 8, 2020, the registrant had 279,597,312 shares of common stock, par value \$0.01 per share, outstanding.

# Albertsons Companies, Inc. and Subsidiaries

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**PART I - FINANCIAL INFORMATION****Item 1 - Condensed Consolidated Financial Statements (unaudited)**

**Albertsons Companies, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(in millions, except share data)  
(unaudited)

	November 30, 2019	February 23, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 406.4	\$ 926.1
Receivables, net	501.2	586.2
Inventories, net	4,624.2	4,332.8
Other current assets	447.8	404.9
<b>Total current assets</b>	<b>5,979.6</b>	<b>6,250.0</b>
Property and equipment, net	9,222.0	9,861.3
Operating lease right-of-use assets	5,836.1	—
Intangible assets, net	2,123.9	2,834.5
Goodwill	1,183.3	1,183.3
Other assets	646.7	647.5
<b>TOTAL ASSETS</b>	<b>\$ 24,991.6</b>	<b>\$ 20,776.6</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,183.2	\$ 2,918.7
Accrued salaries and wages	1,099.9	1,054.7
Current maturities of long-term debt and finance lease obligations	133.3	148.8
Current maturities of operating lease obligations	549.7	—
Other current liabilities	1,006.1	1,030.5
<b>Total current liabilities</b>	<b>5,972.2</b>	<b>5,152.7</b>
Long-term debt and finance lease obligations	8,615.9	10,437.6
Long-term operating lease obligations	5,430.5	—
Deferred income taxes	711.3	561.4
Other long-term liabilities	1,851.1	3,174.2
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value; 30,000,000 shares authorized, no shares issued and outstanding as of November 30, 2019 and February 23, 2019, respectively	—	—
Common stock, \$0.01 par value; 1,000,000,000 shares authorized and 279,597,312 shares issued and outstanding as of November 30, 2019, and 1,000,000,000 shares authorized and 277,882,010 shares issued and outstanding as of February 23, 2019	2.8	2.8
Additional paid-in capital	1,823.5	1,814.2
Treasury stock, at cost, 1,772,018 shares held as of November 30, 2019 and February 23, 2019, respectively	(25.8)	(25.8)
Accumulated other comprehensive income	85.6	91.3
Retained earnings (accumulated deficit)	524.5	(431.8)

<b>Total stockholders' equity</b>	2,410.6	1,450.7
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 24,991.6</u>	<u>\$ 20,776.6</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**Albertsons Companies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**  
(in millions)  
(unaudited)

	12 weeks ended		40 weeks ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
<b>Net sales and other revenue</b>	\$ 14,103.2	\$ 13,840.4	\$ 47,018.3	\$ 46,517.9
<b>Cost of sales</b>	10,108.1	9,988.0	33,842.1	33,682.0
<b>Gross profit</b>	3,995.1	3,852.4	13,176.2	12,835.9
<b>Selling and administrative expenses</b>	3,807.2	3,665.9	12,548.4	12,500.7
<b>(Gain) loss on property dispositions and impairment losses, net</b>	(18.7)	12.1	(482.7)	(163.7)
<b>Operating income</b>	206.6	174.4	1,110.5	498.9
<b>Interest expense, net</b>	154.8	213.0	557.5	662.5
<b>Loss on debt extinguishment</b>	—	9.5	65.8	9.5
<b>Other income, net</b>	(15.9)	(28.3)	(21.9)	(88.3)
<b>Income (loss) before income taxes</b>	67.7	(19.8)	509.1	(84.8)
<b>Income tax expense (benefit)</b>	12.9	(65.4)	110.5	(80.3)
<b>Net income (loss)</b>	\$ 54.8	\$ 45.6	\$ 398.6	\$ (4.5)
<b>Other comprehensive income (loss), net of tax</b>				
Gain (loss) on interest rate swaps	5.0	0.9	(33.3)	4.3
Recognition of pension gain (loss)	0.7	(0.5)	24.8	(1.6)
Other	(0.2)	(0.5)	2.8	(1.7)
<b>Other comprehensive income (loss)</b>	\$ 5.5	\$ (0.1)	\$ (5.7)	\$ 1.0
<b>Comprehensive income (loss)</b>	\$ 60.3	\$ 45.5	\$ 392.9	\$ (3.5)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**Albertsons Companies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(in millions)  
(unaudited)

	40 weeks ended	
	November 30, 2019	December 1, 2018
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 398.6	\$ (4.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on property dispositions and impairment losses, net	(482.7)	(163.7)
Depreciation and amortization	1,281.9	1,340.8
Operating lease right-of-use assets amortization	418.3	—
LIFO expense	18.9	15.7
Deferred income tax	(40.6)	(135.2)
Contributions to pension and post-retirement benefit plans, net of (income) expense	(16.2)	(178.2)
Amortization and write-off of deferred financing costs	35.4	38.3
Loss on debt extinguishment	65.8	9.5
Equity-based compensation expense	24.8	35.5
Other	8.9	(35.9)
Changes in operating assets and liabilities:		
Receivables, net	84.9	47.1
Inventories, net	(310.4)	(234.0)
Accounts payable, accrued salaries and wages and other accrued liabilities	322.4	347.4
Operating lease liabilities	(385.5)	—
Other operating assets and liabilities	(37.5)	(13.7)
<b>Net cash provided by operating activities</b>	<b>1,387.0</b>	<b>1,069.1</b>
<b>Cash flows from investing activities:</b>		
Payments for property, equipment and intangibles, including payments for lease buyouts	(1,083.7)	(916.9)
Proceeds from sale of assets	1,061.0	529.3
Other	(2.7)	27.0
<b>Net cash used in investing activities</b>	<b>(25.4)</b>	<b>(360.6)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	1,518.0	1,365.8
Payments on long-term borrowings	(3,300.8)	(2,113.8)
Payments of obligations under finance leases	(78.3)	(74.5)
Payments for debt financing costs	(25.5)	(18.6)
Purchase of treasury stock, at cost	—	(25.8)
Other	(26.1)	(36.3)
<b>Net cash used in financing activities</b>	<b>(1,912.7)</b>	<b>(903.2)</b>
<b>Net decrease in cash and cash equivalents and restricted cash</b>	<b>(551.1)</b>	<b>(194.7)</b>
<b>Cash and cash equivalents and restricted cash at beginning of period</b>	<b>967.7</b>	<b>680.8</b>
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 416.6</b>	<b>\$ 486.1</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.



**Albertsons Companies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(in millions, except share data)  
(unaudited)

	Common Stock		Additional paid in capital	Treasury stock	Accumulated other comprehensive income	Retained earnings (accumulated deficit)	Total stockholders' equity
	Shares	Amount					
<b>Balance as of February 23, 2019</b>	277,882,010	\$ 2.8	\$ 1,814.2	\$ (25.8)	\$ 91.3	\$ (431.8)	\$ 1,450.7
Equity-based compensation	—	—	11.1	—	—	—	11.1
Employee tax withholding on vesting of phantom units	—	—	(12.1)	—	—	—	(12.1)
Adoption of new accounting standards, net of tax	—	—	—	—	16.6	558.0	574.6
Net income	—	—	—	—	—	49.0	49.0
Other comprehensive loss, net of tax	—	—	—	—	(18.5)	—	(18.5)
Other activity	—	—	(0.1)	—	—	(0.3)	(0.4)
<b>Balance as of June 15, 2019</b>	277,882,010	2.8	1,813.1	(25.8)	89.4	174.9	2,054.4
Equity-based compensation	—	—	6.5	—	—	—	6.5
Employee tax withholding on vesting of phantom units	—	—	(0.9)	—	—	—	(0.9)
Net income	—	—	—	—	—	294.8	294.8
Other comprehensive loss, net of tax	—	—	—	—	(9.3)	—	(9.3)
<b>Balance as of September 7, 2019</b>	277,882,010	2.8	1,818.7	(25.8)	80.1	469.7	2,345.5
Issuance of common stock to Company's parents	1,715,302	—	—	—	—	—	—
Equity-based compensation	—	—	7.2	—	—	—	7.2
Employee tax withholding on vesting of phantom units	—	—	(1.7)	—	—	—	(1.7)
Net income	—	—	—	—	—	54.8	54.8
Other comprehensive loss, net of tax	—	—	—	—	5.5	—	5.5
Other activity	—	—	(0.7)	—	—	—	(0.7)
<b>Balance as of November 30, 2019</b>	<u>279,597,312</u>	<u>\$ 2.8</u>	<u>\$ 1,823.5</u>	<u>\$ (25.8)</u>	<u>\$ 85.6</u>	<u>\$ 524.5</u>	<u>\$ 2,410.6</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**Albertsons Companies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(in millions, except share data)  
(unaudited)

	Common Stock		Additional paid in capital	Treasury stock	Accumulated other comprehensive income	Retained earnings (accumulated deficit)	Total stockholders' equity
	Shares	Amount					
<b>Balance as of February 24, 2018</b>	279,654,028	\$ 2.8	\$ 1,773.3	\$ —	\$ 191.1	\$ (569.0)	\$ 1,398.2
Equity-based compensation	—	—	13.4	—	—	—	13.4
Employee tax withholding on vesting of phantom units	—	—	(14.3)	—	—	—	(14.3)
Net loss	—	—	—	—	—	(17.7)	(17.7)
Other comprehensive income, net of tax	—	—	—	—	5.9	—	5.9
Other activity	—	—	—	—	—	5.8	5.8
<b>Balance as of June 16, 2018</b>	279,654,028	2.8	1,772.4	—	197.0	(580.9)	1,391.3
Equity-based compensation	—	—	12.2	—	—	—	12.2
Employee tax withholding on vesting of phantom units	—	—	(0.5)	—	—	—	(0.5)
Net loss	—	—	—	—	—	(32.4)	(32.4)
Other comprehensive loss, net of tax	—	—	—	—	(4.8)	—	(4.8)
Other activity	—	—	(3.2)	—	—	—	(3.2)
<b>Balance as of September 8, 2018</b>	279,654,028	2.8	1,780.9	—	192.2	(613.3)	1,362.6
Equity-based compensation	—	—	9.9	—	—	—	9.9
Employee tax withholding on vesting of phantom units	—	—	(0.5)	—	—	—	(0.5)
Treasury stock purchases, at cost	(1,772,018)	—	—	(25.8)	—	—	(25.8)
Net loss	—	—	—	—	—	45.6	45.6
Other comprehensive loss, net of tax	—	—	—	—	(0.1)	—	(0.1)
Other activity	—	—	(1.6)	—	—	—	(1.6)
<b>Balance as of December 1, 2018</b>	<u>277,882,010</u>	<u>\$ 2.8</u>	<u>\$ 1,788.7</u>	<u>\$ (25.8)</u>	<u>\$ 192.1</u>	<u>\$ (567.7)</u>	<u>\$ 1,390.1</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**Albertsons Companies, Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying interim Condensed Consolidated Financial Statements include the accounts of Albertsons Companies, Inc. and its subsidiaries (the "Company"). All significant intercompany balances and transactions were eliminated. The Condensed Consolidated Balance Sheet as of February 23, 2019 is derived from the Company's annual audited Consolidated Financial Statements for the fiscal year ended February 23, 2019, which should be read in conjunction with these Condensed Consolidated Financial Statements and which are included in the Company's Annual Report on Form 10-K. Certain information in footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The interim results of operations and cash flows are not necessarily indicative of those results and cash flows expected for the year. The Company's results of operations are for the 12 and 40 weeks ended November 30, 2019 and December 1, 2018.

***Prior Period Reclassifications***

Certain prior period amounts have been reclassified to conform to the current period presentation, specifically the reclassification of gains and losses from property dispositions and impairment losses from Selling and administrative expenses to (Gain) loss on property dispositions and impairment losses, net on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

***Significant Accounting Policies***

**Restricted cash:** Restricted cash is included in Other current assets or Other assets depending on the remaining term of the restriction and primarily relates to funds held in escrow. The Company had \$10.2 million and \$41.6 million of restricted cash as of November 30, 2019 and February 23, 2019, respectively.

**Inventories, net:** Substantially all of the Company's inventories consist of finished goods valued at the lower of cost or market and net of vendor allowances. The Company uses either item-cost or the retail inventory method to value inventory at the lower of cost or market before application of any last-in, first-out ("LIFO") reserve. Interim LIFO inventory costs are based on management's estimates of expected year-end inventory levels and inflation rates. The Company recorded LIFO expense of \$2.6 million and \$2.8 million for the 12 weeks ended November 30, 2019 and December 1, 2018, respectively, and \$18.9 million and \$15.7 million for the 40 weeks ended November 30, 2019 and December 1, 2018, respectively.

**Equity-based compensation:** The Company maintains the Albertsons Companies, Inc. Phantom Unit Plan, an equity-based incentive plan, which provides for grants of phantom units ("Phantom Units") to certain employees, directors and consultants. Each Phantom Unit provides the participant with a contractual right to receive, upon vesting, one management incentive unit in each of the Company's parents, Albertsons Investor Holdings LLC ("Albertsons Investor") and KIM ACI, LLC ("KIM ACI"), that collectively own all of the outstanding shares of the Company. The Phantom Units vest over a service period, or upon a combination of both a service period and achievement of certain performance-based thresholds. The fair value of the Phantom Units is determined using an option pricing model, adjusted for lack of marketability and using an expected term or time to liquidity based on judgments made by management.

Equity-based compensation expense recognized by the Company related to Phantom Units was \$6.3 million and \$9.9 million for the 12 weeks ended November 30, 2019 and December 1, 2018, respectively. For the 40 weeks ended November 30, 2019 and December 1, 2018, equity-based compensation expense recognized by the Company related to Phantom Units was \$21.8 million and \$35.5 million, respectively. The Company recorded an income tax benefit

related to Phantom Units of \$1.6 million and \$2.7 million for the 12 weeks ended November 30, 2019 and December 1, 2018, respectively. For the 40 weeks ended November 30, 2019 and December 1, 2018, the Company recorded an income tax benefit related to Phantom Units of \$5.7 million and \$9.6 million, respectively. As of November 30, 2019, there was \$35.4 million of unrecognized costs related to 1.3 million unvested Phantom Units. That cost is expected to be recognized over a weighted average period of 1.9 years.

On April 25, 2019, upon the commencement of employment, the Company's President and Chief Executive Officer was granted direct equity interests in each of the Company's parents, Albertsons Investor and KIM ACI. These equity interests generally vest over five years, with 50% based solely on a service period and 50% upon a service period and achievement of certain performance-based thresholds. The fair value of the equity interests is determined using an option pricing model, adjusted for lack of marketability and using an expected term or time to liquidity based on judgments made by management. The fair value of the equity interests deemed granted was approximately \$10.8 million, which excludes approximately 40% of the equity units that vest based upon the achievement of future fiscal year annual performance targets that will only be deemed granted for accounting purposes upon the establishment of such respective future fiscal year annual performance targets. For the 12 and 40 weeks ended November 30, 2019, equity-based compensation expense recognized by the Company related to these equity interests was \$0.9 million and \$3.0 million, respectively. As of November 30, 2019, there was \$7.8 million of unrecognized costs related to the equity interests deemed granted. That cost is expected to be recognized over a weighted average period of 4.0 years.

**Treasury stock:** During fiscal 2018, the Company repurchased 1,772,018 shares of common stock allocable to certain current and former members of management (the "Management Holders") for \$25.8 million in cash. The shares are classified as treasury stock on the Condensed Consolidated Balance Sheets. The shares repurchased represented a portion of the shares allocable to management. Proceeds from the repurchase were used by the Management Holders to repay outstanding loans of the Management Holders with a third-party financial institution. As there is no current active market for shares of the Company's common stock, the shares were repurchased at a negotiated price between the Company and the Management Holders.

**Income taxes:** Income tax expense was \$12.9 million, representing a 19.1% effective tax rate, for the 12 weeks ended November 30, 2019. Income tax expense was \$110.5 million, representing a 21.7% effective tax rate, for the 40 weeks ended November 30, 2019. The Company's effective tax rate for the 12 and 40 weeks ended November 30, 2019 differs from the federal income tax statutory rate of 21% primarily due to state income taxes, reduced by income tax credits and charitable donation benefit. Income tax benefit was \$65.4 million and \$80.3 million for the 12 and 40 weeks ended December 1, 2018, respectively. The tax benefit in fiscal 2018 was primarily driven by the Company's provisional SAB 118 adjustment of \$60.3 million, primarily to account for refinement of the transition tax, and the remeasurement of deferred taxes.

**Segments:** The Company and its subsidiaries offer grocery products, general merchandise, health and beauty care products, pharmacy, fuel and other items and services in its stores or through eCommerce channels. The Company's operating divisions are geographically based, have similar economic characteristics and similar expected long-term financial performance. The Company's operating segments and reporting units are its 13 operating divisions, which are reported in one reportable segment. Each reporting unit constitutes a business for which discrete financial information is available and for which management regularly reviews the operating results. Across all operating segments, the Company operates primarily one store format. Each division offers through its stores and eCommerce channels the same general mix of products with similar pricing to similar categories of customers, has similar distribution methods, operates in similar regulatory environments and purchases merchandise from similar or the same vendors.

**Revenue Recognition:** Revenues from the retail sale of products are recognized at the point of sale to the customer, net of returns and sales tax. Pharmacy sales are recorded upon the customer receiving the prescription. Third-party receivables from pharmacy sales were \$225.1 million and \$252.2 million as of November 30, 2019 and February 23, 2019, respectively, and are recorded in Receivables, net. For eCommerce related sales, which primarily include home delivery and Drive Up and Go curbside pickup, revenues are recognized upon either pickup in store or delivery to the

customer and may include revenue for separately charged delivery services. Discounts provided to customers by the Company at the time of sale are recognized as a reduction in sales as the products are sold. Discounts provided to customers by vendors, usually in the form of coupons, are not recognized as a reduction in sales, provided the coupons are redeemable at any retailer that accepts coupons. The Company recognizes revenue and records a corresponding receivable from the vendor for the difference between the sales prices and the cash received from the customer. The Company records a contract liability when rewards are earned by customers in connection with the Company's loyalty programs. As rewards are redeemed or expire, the Company reduces the contract liability and recognizes revenue. The contract liability balance was immaterial as of November 30, 2019 and February 23, 2019.

The Company records a contract liability when it sells its own proprietary gift cards. The Company records a sale when the customer redeems the gift card. The Company's gift cards do not expire. The Company reduces the contract liability and records revenue for the unused portion of gift cards ("breakage") in proportion to its customers' pattern of redemption, which the Company determined to be the historical redemption rate. The Company's contract liability related to gift cards was \$57.6 million as of November 30, 2019 and \$55.9 million as of February 23, 2019. Breakage amounts were immaterial for the 12 and 40 weeks ended November 30, 2019 and December 1, 2018, respectively.

### **Disaggregated Revenues**

The following table represents sales revenue by type of similar product (dollars in millions):

	12 weeks ended				40 weeks ended			
	November 30, 2019		December 1, 2018		November 30, 2019		December 1, 2018	
	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	\$ 6,168.2	43.7%	\$ 6,032.9	43.6%	\$ 20,362.4	43.3%	\$ 20,186.0	43.4%
Perishables (3)	5,691.5	40.4	5,596.5	40.5	19,347.7	41.1	19,099.1	41.0
Pharmacy	1,228.5	8.7	1,194.5	8.6	3,958.2	8.4	3,847.0	8.3
Fuel	794.3	5.6	831.3	6.0	2,664.0	5.7	2,785.4	6.0
Other (4)	220.7	1.6	185.2	1.3	686.0	1.5	600.4	1.3
Net sales and other revenue	\$ 14,103.2	100.0%	\$ 13,840.4	100.0%	\$ 47,018.3	100.0%	\$ 46,517.9	100.0%

(1) eCommerce related sales are included in the categories to which the revenue pertains.

(2) Consists primarily of general merchandise, grocery and frozen foods.

(3) Consists primarily of produce, dairy, meat, deli, floral and seafood.

(4) Consists primarily of wholesale revenue to third parties, commissions and other miscellaneous revenue.

**Recently adopted accounting standards:** On February 25, 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*." ASC Topic 842 supersedes existing lease guidance, including ASC 840 - *Leases*. Among other things, ASU 2016-02 requires recognition of a Right-of-use ("ROU") asset and liability for future lease payments for contracts that meet the definition of a lease and requires disclosure of certain information about leasing arrangements. On July 30, 2018, the FASB issued ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*," which, among other things, allows companies to elect an optional transition method to apply the new lease standard through a cumulative effect adjustment in the period of adoption. The new guidance requires both classifications of leases, operating and finance, to be recognized on the balance sheet. The new guidance also results in a change in naming convention for leases historically classified as capital leases. Under the new guidance, these leases are now referred to as finance leases. Consistent with prior GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease will depend on its classification.

The Company adopted the guidance effective February 24, 2019 by recognizing and measuring leases at the adoption date with a cumulative effect of initially applying the guidance recognized at the date of initial application and as a

result did not restate the prior periods presented in the Condensed Consolidated Financial Statements. The Company elected certain practical expedients permitted under the transitional guidance, including retaining historical lease classification, evaluating whether any expired contracts are or contain leases, and not applying hindsight in determining the lease term. The Company also elected the practical expedient to not separate lease and non-lease components within the lessee lease transaction for all classes of assets. Lastly, the Company elected the short-term lease exception for all classes of assets, and therefore does not apply the recognition requirements for leases of 12 months or less.

The adoption of the standard resulted in the recognition of an operating lease ROU asset of \$5.3 billion and an operating lease liability of \$5.4 billion. Included in the measurement of the new operating lease ROU asset is the reclassification of certain balances, including those historically recorded as lease exit cost liabilities, deferred rent and favorable and unfavorable lease interests. The adoption also resulted in a cumulative effect transitional adjustment of \$776.0 million (\$574.6 million, net of tax) to retained earnings related to the elimination of \$865.8 million deferred gains on sale leaseback transactions, partially offset by the recognition of \$87.3 million in impairment losses on operating lease ROU assets and the removal of \$17.2 million and \$14.7 million, respectively, of assets and liabilities related to finance lease obligations under previously existing build-to-suit accounting arrangements. Several other immaterial reclassifications of historical asset and liability line items were also recorded in the Company's Condensed Consolidated Balance Sheets upon adoption.

In February 2018, the FASB issued ASU 2018-02, *"Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income."* This ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The Company adopted this guidance in the first quarter of fiscal 2019 and applied the amendments in the period of adoption. The adoption of this standard resulted in a \$16.6 million adjustment to both Retained earnings (accumulated deficit) and Accumulated other comprehensive income. The standard did not have a material impact on the Company's Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows.

## **NOTE 2 - FAIR VALUE MEASUREMENTS**

The accounting guidance for fair value established a framework for measuring fair value and established a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability at the measurement date. The three levels are defined as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and
- Level 3 - Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions that market participants would use to value the asset or liability.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table presents assets and liabilities which were measured at fair value on a recurring basis as of November 30, 2019 (in millions):

	<b>Fair Value Measurements</b>			
	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Assets:</b>				
Short-term investments (1)	\$ 11.7	\$ 9.2	\$ 2.5	\$ —
Non-current investments (2)	86.9	31.3	55.6	—
Total	<u>\$ 98.6</u>	<u>\$ 40.5</u>	<u>\$ 58.1</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Derivative contracts (3)	\$ 56.7	\$ —	\$ 56.7	\$ —
Total	<u>\$ 56.7</u>	<u>\$ —</u>	<u>\$ 56.7</u>	<u>\$ —</u>

(1) Primarily relates to Mutual Funds. Included in Other current assets.

(2) Primarily relates to investments in publicly traded stock classified as available for sale (Level 1) and U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.

(3) Primarily relates to interest rate swaps. Included in Other current liabilities.

The following table presents assets and liabilities which were measured at fair value on a recurring basis as of February 23, 2019 (in millions):

	<b>Fair Value Measurements</b>			
	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Assets:</b>				
<b>Cash equivalents:</b>				
Money market	\$ 489.0	\$ 489.0	\$ —	\$ —
Short-term investments (1)	23.1	21.0	2.1	—
Non-current investments (2)	84.2	30.5	53.7	—
Total	<u>\$ 596.3</u>	<u>\$ 540.5</u>	<u>\$ 55.8</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Derivative contracts (3)	\$ 21.1	\$ —	\$ 21.1	\$ —
Total	<u>\$ 21.1</u>	<u>\$ —</u>	<u>\$ 21.1</u>	<u>\$ —</u>

(1) Primarily relates to Mutual Funds. Included in Other current assets.

(2) Primarily relates to investments in publicly traded stock classified as available for sale (Level 1) and U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.

(3) Primarily relates to interest rate swaps. Included in Other current liabilities.

The estimated fair value of the Company's debt, including current maturities, was based on Level 2 inputs, being market quotes or values for similar instruments, and interest rates currently available to the Company for the issuance of debt with similar terms and remaining maturities as a discount rate for the remaining principal payments. As of November 30, 2019, the fair value of total debt was \$8,419.5 million compared to the carrying value of \$8,188.0 million, excluding debt discounts and deferred financing costs. As of February 23, 2019, the fair value of total debt was \$9,801.2 million compared to the carrying value of \$10,086.3 million, excluding debt discounts and deferred financing costs.



### ***Assets Measured at Fair Value on a Non-Recurring Basis***

The Company measures certain assets at fair value on a non-recurring basis, including long-lived assets and goodwill, which are evaluated for impairment. Long-lived assets include store-related assets such as property and equipment and certain intangible assets. The inputs used to determine the fair value of long-lived assets and a reporting unit are considered Level 3 measurements due to their subjective nature.

During the second quarter of fiscal 2019, due to continued under performance of the Plated meal kit subscription and delivery operations, the Company recognized an impairment loss of \$38.6 million to reduce the related asset group to its fair value. The impairment loss is included as a component of (Gain) loss on property dispositions and impairment losses, net. The impairment loss primarily relates to the Plated tradename, and to a lesser extent, certain other Plated intangible assets, leasehold interests and equipment. The fair value was determined using an income approach which included a relief-from-royalty method and relied on inputs with unobservable market prices including the assumed revenue growth rate, royalty rate, discount rate and estimated tax rate.

## **NOTE 3 - DERIVATIVE FINANCIAL INSTRUMENTS**

### ***Interest Rate Risk Management***

The Company is exposed to market risk from fluctuations in interest rates. The Company manages its exposure to interest rate fluctuations through the use of interest rate swaps ("Cash Flow Hedges"). The Company's risk management objective and strategy with respect to interest rate swaps is to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a portion of its outstanding debt. The Company is meeting its objective by hedging the risk of changes in its cash flows (interest payments) attributable to changes in the London Inter-Bank Offering Rate ("LIBOR"), the designated benchmark interest rate being hedged, on an amount of the Company's debt principal equal to the then-outstanding swap notional amount.

### ***Cash Flow Interest Rate Swaps***

For derivative instruments that are designated and qualify as Cash Flow Hedges of forecasted interest payments, the Company reports the gain or loss as a component of Other comprehensive income (loss) until the interest payments being hedged are recorded as Interest expense, net, at which time the amounts in Other comprehensive income (loss) are reclassified as an adjustment to Interest expense, net. Gains or losses on any ineffective portion of derivative instruments in cash flow hedging relationships are recorded in the period in which they occur as a component of Other income in the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss). The Company has entered into several swaps with maturity dates in 2019, 2021 and 2023 to hedge against variability in cash flows relating to interest payments on a portion of the Company's outstanding variable rate term debt. The aggregate notional amounts of all swaps as of November 30, 2019 and February 23, 2019 were \$2,716.2 million and \$2,123.2 million, of which \$2,716.2 million and \$2,065.2 million are designated as Cash Flow Hedges, respectively, as defined by GAAP. The undesignated portion of the Company's interest rate swaps is attributable to principal payments expected to be made through the loan's maturity. In connection with the Term Loan Refinancing (as defined in Note 4 - Long-term debt and finance lease obligations), the Company de-designated and re-designated a certain Cash Flow Hedge, resulting in an immaterial amount remaining in Accumulated other comprehensive income. Following the Term B-7 Loan Repayment (as defined in Note 4), the Company's aggregate notional amount of swaps was temporarily higher than the amount of variable rate debt outstanding. This temporary notional shortfall, which lasted through January 1, 2020, did not impact the Company's designation of the swaps as Cash Flow Hedges as defined by GAAP.

As of November 30, 2019 and February 23, 2019, the fair value of the cash flow interest rate swap liability was \$56.6 million and \$21.6 million respectively, and was recorded in Other current liabilities.

Activity related to the Company's derivative instruments designated as Cash Flow Hedges consisted of the following (in millions):

Derivatives designated as hedging instruments	Amount of income recognized from derivatives		Location of income recognized from derivatives
	12 weeks ended November 30, 2019	12 weeks ended December 1, 2018	
Designated interest rate swaps	\$ 5.0	\$ 0.9	Other comprehensive income (loss), net of tax

Derivatives designated as hedging instruments	Amount of (loss) income recognized from derivatives		Location of (loss) income recognized from derivatives
	40 weeks ended November 30, 2019	40 weeks ended December 1, 2018	
Designated interest rate swaps	\$ (33.3)	\$ 4.3	Other comprehensive income (loss), net of tax

Activity related to the Company's derivative instruments not designated as hedging instruments was immaterial during the 12 and 40 weeks ended November 30, 2019 and December 1, 2018, respectively.

#### NOTE 4 - LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

The Company's long-term debt as of November 30, 2019 and February 23, 2019, net of unamortized debt discounts of \$78.3 million and \$197.0 million, respectively, and deferred financing costs of \$62.8 million and \$65.2 million, respectively, consisted of the following (in millions):

	November 30, 2019	February 23, 2019
Albertsons Term Loans due 2025 to 2026, interest rate range of 4.45% to 5.69%	\$ 2,311.5	\$ 4,610.7
Senior Unsecured Notes due 2024, 2025, 2026, 2027 and 2028, interest rate of 6.625%, 5.750%, 7.5%, 4.625% and 5.875%, respectively	4,554.3	3,071.6
New Albertsons L.P. Notes due 2026 to 2031, interest rate range of 6.52% to 8.70%	465.5	1,322.3
Safeway Inc. Notes due 2020 to 2031, interest rate range of 3.95% to 7.45%	641.9	675.3
ABL Facility, average interest rate of 5.0%	18.0	—
Other Notes Payable, unsecured	37.3	125.4
Mortgage Notes Payable, secured	18.4	18.8
Finance lease obligations (see Note 5)	702.3	762.3
Total debt	8,749.2	10,586.4
Less current maturities	(133.3)	(148.8)
Long-term portion	\$ 8,615.9	\$ 10,437.6

The Company's term loans (the "Albertsons Term Loans"), asset-based loan facility (the "ABL Facility") and certain of the outstanding notes and debentures have restrictive covenants, subject to the right to cure in certain circumstances, calling for the acceleration of payments due in the event of a breach of a covenant or a default in the payment of a specified amount of indebtedness due under certain debt arrangements. There are no restrictions on the Company's ability to receive distributions from its subsidiaries to fund interest and principal payments due under the ABL Facility, the Albertsons Term Loans and the Company's senior unsecured notes (the "Senior Unsecured Notes"). Each of the

ABL Facility, Albertsons Term Loans and the Senior Unsecured Notes restrict the ability of the Company to pay dividends and distribute property to the Company's stockholders. As a result, all of the Company's consolidated net assets are effectively restricted with respect to their ability to be transferred to the Company's stockholders. Notwithstanding the foregoing, the ABL Facility, Albertsons Term Loans and the Senior Unsecured Notes each contain customary exceptions for certain dividends and distributions, including the ability to make cumulative distributions under the Albertsons Term Loans and Senior Unsecured Notes of up to the greater of \$1.0 billion or 4.0% of the Company's total assets (which is measured at the time of such distribution) and the ability to make distributions if certain payment conditions are satisfied under the ABL Facility. The Company was in compliance with all such covenants and provisions as of and for the 40 weeks ended November 30, 2019.

### ***Albertsons Term Loans***

On August 15, 2019, the Company repaid \$1,570.6 million of aggregate principal amount outstanding under its term loan facilities, along with accrued and unpaid interest and fees and expenses, for which the Company used approximately \$864 million of cash on hand and proceeds from the issuance of the 2028 Notes (as defined below) (such repayment, the "Term Loan Repayment"). Contemporaneously with the Term Loan Repayment, the Company refinanced the remaining amounts outstanding with new term loan tranches. The new tranches consist of \$3,100.0 million in aggregate principal, of which \$1,500.0 million matures on November 17, 2025 and \$1,600.0 million matures on August 17, 2026 (the "Term Loan Refinancing"). For newly incurred financing costs and original issue discount, the Company expensed \$4.2 million of financing costs and recorded \$4.4 million of financing costs and \$15.5 million of original issue discount as a reduction of the principal amount. For previously deferred financing costs and original issue discount, the Company expensed \$15.5 million of financing costs and \$13.3 million of original issue discount. The amounts expensed were included as a component of Interest expense, net.

The new loans amortize, on a quarterly basis, at a rate of 1.0% per annum of the original principal amount (which payments will be reduced as a result of the application of prepayments in accordance with the terms therewith). The new loans bear interest, at the borrower's option, at a rate per annum equal to either (a) the base rate plus 1.75% or (b) LIBOR, subject to a 0.75% floor, plus 2.75%.

On November 22, 2019, the Company repaid \$742.5 million of aggregate principal amount outstanding under its term loan facility which was to mature on November 17, 2025, along with accrued and unpaid interest and fees and expenses, with the proceeds from the issuance of the 2027 Notes (as defined below) (such repayment, the "Term B-7 Loan Repayment"). In connection with the Term B-7 Loan Repayment, the Company expensed \$5.1 million of previously deferred financing costs and \$14.3 million of original issue discount. The amounts expensed were included as a component of Interest expense, net.

### ***Senior Unsecured Notes***

On August 15, 2019, the Company and substantially all of its subsidiaries completed the issuance of \$750.0 million of principal amount of 5.875% Senior Unsecured Notes which will mature on February 15, 2028 (the "2028 Notes"). Interest on the 2028 Notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2020. The 2028 Notes have not been and will not be registered with the Securities and Exchange Commission (the "SEC"). The 2028 Notes are also fully and unconditionally guaranteed, jointly and severally, by substantially all of the Company's subsidiaries that are not issuers under the indenture governing such notes. Proceeds from the 2028 Notes were used to partially fund the Term Loan Repayment.

On November 22, 2019, the Company and substantially all of its subsidiaries completed the issuance of \$750.0 million of principal amount of 4.625% Senior Unsecured Notes which will mature on January 15, 2027 (the "2027 Notes"). Interest on the 2027 Notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2020. The 2027 Notes have not been and will not be registered with the SEC. The 2027 Notes are also fully and unconditionally guaranteed, jointly and severally, by substantially all of the Company's subsidiaries that are not

issuers under the indenture governing such notes. Proceeds from the 2027 Notes were used to fund the Term B-7 Loan Repayment.

### ***NALP Notes***

On May 24, 2019, the Company completed a cash tender offer and early redemption of New Albertsons L.P.'s notes (the "NALP Notes") with a par value of \$402.9 million and a book value of \$363.7 million for \$382.7 million, plus accrued and unpaid interest of \$8.2 million (the "NALP Notes Tender"). Including related fees, the Company recognized a loss on debt extinguishment related to the NALP Notes Tender of \$19.1 million.

During the 40 weeks ended November 30, 2019, the Company repurchased NALP Notes on the open market with an aggregate par value of \$553.9 million and a book value of \$502.0 million for \$547.5 million plus accrued and unpaid interest of \$11.3 million (the "NALP Notes Repurchase"). Including related fees, the Company recognized a loss on debt extinguishment related to the NALP Notes Repurchase of \$46.2 million.

### ***Safeway Notes***

On May 24, 2019, the Company completed a cash tender offer and early redemption of Safeway Inc.'s ("Safeway") notes with a par value of \$34.1 million and a book value of \$33.3 million for \$32.6 million, plus accrued and unpaid interest of \$0.7 million (the "Safeway Tender"). Including related fees, the Company recognized a loss on debt extinguishment related to the Safeway Tender of \$0.5 million.

### ***ABL Facility***

As of November 30, 2019, there was \$18.0 million outstanding under the Company's ABL Facility, and letters of credit ("LOC") issued under the LOC sub-facility were \$459.8 million. There were no amounts outstanding under the Company's ABL Facility as of February 23, 2019, and letters of credit issued under the LOC sub-facility were \$520.8 million.

## **NOTE 5 - LEASES**

The Company leases certain retail stores, distribution centers, office facilities and equipment from third parties. The Company determines whether a contract is or contains a lease at contract inception. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. As the rate implicit in the Company's leases is not easily determinable, the Company's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments. ROU assets are recognized at commencement date at the value of the lease liability, adjusted for any prepayments, lease incentives and initial direct costs incurred. The typical real estate lease period is 15 to 20 years with renewal options for varying terms and, to a limited extent, options to purchase. The Company includes renewal options that are reasonably certain to be exercised as part of the lease term.

The Company has lease agreements with non-lease components that relate to the lease components. Certain leases contain percent rent based on sales, escalation clauses or payment of executory costs such as property taxes, utilities, insurance and maintenance. Non-lease components primarily relate to common area maintenance. Non-lease components and the lease components to which they relate are accounted for together as a single lease component for all asset classes. The Company recognizes lease payments for short-term leases as expense either straight-line over the lease term or as incurred depending on whether lease payments are fixed or variable.

The components of total lease cost, net consisted of the following (in millions):

	<b>Classification</b>	<b>12 weeks ended November 30, 2019</b>	<b>40 weeks ended November 30, 2019</b>
Operating lease cost (1)	Cost of sales and Selling and administrative expenses (3)	\$ 233.1	\$ 748.1
Finance lease cost			
Amortization of lease assets	Cost of sales and Selling and administrative expenses (3)	20.6	70.1
Interest on lease liabilities	Interest expense, net	18.2	62.2
Variable lease cost (2)	Cost of sales and Selling and administrative expenses (3)	90.0	299.3
Sublease income	Net sales and other revenue	(26.5)	(83.6)
<b>Total lease cost, net</b>		<b>\$ 335.4</b>	<b>\$ 1,096.1</b>

(1) Includes short-term lease cost, which is immaterial.

(2) Represents variable lease costs for both operating and finance leases. Includes contingent rent expense and other non-fixed lease related costs, including property taxes, common area maintenance and property insurance.

(3) Supply chain-related amounts are included in Cost of sales.

Balance sheet information related to leases as of November 30, 2019 consisted of the following (in millions):

	<b>Classification</b>	<b>November 30, 2019</b>
<b>Assets</b>		
Operating	Operating lease right-of-use assets	\$ 5,836.1
Finance	Property and equipment, net	458.8
<b>Total lease assets</b>		<b>\$ 6,294.9</b>
<b>Liabilities</b>		
Current		
Operating	Current maturities of operating lease obligations	\$ 549.7
Finance	Current maturities of long-term debt and finance lease obligations	101.1
Long-term		
Operating	Long-term operating lease obligations	5,430.5
Finance	Long-term debt and finance lease obligations	601.2
<b>Total lease liabilities</b>		<b>\$ 6,682.5</b>

The following table presents cash flow information and the weighted average lease term and discount rate for leases (dollars in millions):

	<b>40 weeks ended November 30, 2019</b>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	700.2
Operating cash flows from finance leases	62.2
Financing cash flows from finance leases	78.3
ROU assets obtained in exchange for operating lease obligations	999.8
ROU assets obtained in exchange for finance lease obligations	—
Weighted average remaining lease term - operating leases (in years)	12.2
Weighted average remaining lease term - finance leases (in years)	9.1
Weighted average discount rate - operating leases	7.1%
Weighted average discount rate - finance leases	13.7%



Future minimum lease payments for operating and finance lease obligations as of November 30, 2019 consisted of the following (in millions):

<b>Fiscal year</b>	<b>Lease Obligations</b>	
	<b>Operating Leases</b>	<b>Finance Leases</b>
Remainder of 2019	\$ 224.0	\$ 39.8
2020	947.0	147.6
2021	897.5	137.1
2022	838.4	125.8
2023	767.1	116.2
Thereafter	5,537.1	519.7
<b>Total future minimum obligations</b>	<b>9,211.1</b>	<b>1,086.2</b>
Less interest	(3,230.9)	(383.9)
<b>Present value of net future minimum lease obligations</b>	<b>5,980.2</b>	<b>702.3</b>
Less current portion	(549.7)	(101.1)
<b>Long-term obligations</b>	<b>\$ 5,430.5</b>	<b>\$ 601.2</b>

Future minimum lease payments for operating and capital lease obligations as of February 23, 2019 under the previous lease accounting standard consisted of the following (in millions):

<b>Fiscal year</b>	<b>Lease Obligations</b>	
	<b>Operating Leases</b>	<b>Capital Leases</b>
2019	\$ 879.7	\$ 170.5
2020	840.5	151.3
2021	783.2	134.9
2022	723.6	123.1
2023	651.0	114.1
Thereafter	4,338.6	509.1
<b>Total future minimum obligations</b>	<b>\$ 8,216.6</b>	<b>1,203.0</b>
Less interest		(440.7)
<b>Present value of net future minimum lease obligations</b>		<b>762.3</b>
Less current portion		(97.3)
<b>Long-term obligations</b>		<b>\$ 665.0</b>

The Company subleases certain properties to third parties. Future minimum sublease income under these non-cancelable operating leases as of November 30, 2019 was \$339.8 million.

### ***Sale Leaseback Transactions***

During the second quarter of fiscal 2019, the Company, through three separate transactions, completed the sale and leaseback of 53 store properties and one distribution center for an aggregate purchase price, net of closing costs, of \$931.3 million. In connection with the sale and leaseback transactions, the Company entered into lease agreements for each of the properties for initial terms ranging from 15 to 20 years. The aggregate initial annual rent payment for the properties is approximately \$53 million and includes 1.50% to 1.75% annual rent increases over the initial lease terms. All of the properties qualified for sale leaseback and operating lease accounting, and the Company recorded total gains of \$463.6 million, which is included as a component of (Gain) loss on property dispositions and impairment losses, net. The Company also recorded operating lease ROU assets and corresponding operating lease liabilities of \$602.5 million.

## NOTE 6 - EMPLOYEE BENEFIT PLANS

### *Pension and Other Post-Retirement Benefits*

The following tables provide the components of net pension and post-retirement (income) expense (in millions):

	12 weeks ended			
	Pension		Other post-retirement benefits	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Estimated return on plan assets	\$ (25.4)	\$ (26.0)	\$ —	\$ —
Service cost	3.4	12.1	0.1	0.3
Interest cost	18.6	19.8	0.1	0.1
Amortization of prior service cost	0.1	—	0.8	0.8
Amortization of net actuarial loss (gain)	0.1	(1.4)	—	(0.1)
(Income) expense, net	<u>\$ (3.2)</u>	<u>\$ 4.5</u>	<u>\$ 1.0</u>	<u>\$ 1.1</u>

	40 weeks ended			
	Pension		Other post-retirement benefits	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Estimated return on plan assets	\$ (84.6)	\$ (86.6)	\$ —	\$ —
Service cost	11.3	40.3	0.4	0.8
Interest cost	62.0	66.0	0.5	0.4
Amortization of prior service cost	0.3	—	2.8	2.8
Amortization of net actuarial loss (gain)	0.4	(4.8)	(0.3)	(0.2)
(Income) expense, net	<u>\$ (10.6)</u>	<u>\$ 14.9</u>	<u>\$ 3.4</u>	<u>\$ 3.8</u>

The Company contributed \$2.0 million and \$9.0 million to its defined benefit pension plans and post-retirement benefit plans during the 12 and 40 weeks ended November 30, 2019, respectively. For the 12 and 40 weeks ended December 1, 2018, the Company contributed \$186.4 million and \$196.9 million, respectively. At the Company's discretion, additional funds may be contributed to the defined benefit pension plans. The Company currently anticipates contributing an additional \$3.4 million to these plans for the remainder of fiscal 2019.

### *Defined Contribution Plans and Supplemental Retirement Plans*

Total contributions expensed for defined contribution plans (401(k) plans) were \$12.7 million and \$11.7 million for the 12 weeks ended November 30, 2019 and December 1, 2018, respectively. For the 40 weeks ended November 30, 2019 and December 1, 2018, total contributions expensed were \$45.3 million and \$32.2 million, respectively.

### *Multiemployer Pension Plans*

The Company is the second largest contributing employer to the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") which is currently projected by FELRA to become insolvent in the first quarter of 2021. The Company continues to fund all of its required contributions to FELRA. In October 2019, the Company's collective bargaining agreements with the two local unions, pursuant to which the Company contributes to FELRA, expired. The Company and the two local unions with whom the Company is negotiating agreed to extend the terms and conditions of the expired collective bargaining agreements on a temporary basis as negotiations continue. All pension provisions, including the funding, are subject to ongoing collective bargaining negotiations with the local unions. The Company, along with the largest contributing employer and local



unions, have had discussions with the Pension Benefit Guaranty Corporation ("PBGC") regarding various issues concerning FELRA that may affect FELRA's solvency. Depending on the outcome of the on-going collective bargaining and discussions with the PBGC, the Company may agree, or be required, to make certain payments arising from the Company's participation in FELRA. Several different potential outcomes could result, all of which are uncertain and dependent on unknown future events which cannot be reasonably predicted but the potential final outcome of the matter could have a material impact on the Company's financial position and results of operations.

## **NOTE 7 - COMMITMENTS AND CONTINGENCIES AND OFF BALANCE SHEET ARRANGEMENTS**

### ***Guarantees***

**California Department of Industrial Relations:** On October 24, 2012, the Office of Self-Insurance Plans, a program within the director's office of the California Department of Industrial Relations (the "DIR"), notified SUPERVALU INC. ("SuperValu"), which was then the owner of New Albertsons L.P., a wholly-owned subsidiary of the Company, that additional collateral was required to be posted in connection with the Company's, and certain other subsidiaries', California self-insured workers' compensation obligations pursuant to applicable regulations. The notice from the DIR stated that the additional collateral was required as a result of an increase in estimated future liabilities, as determined by the DIR pursuant to a review of the self-insured California workers' compensation claims with respect to the applicable businesses. On January 21, 2014, the Company entered into a Collateral Substitution Agreement with the California Self-Insurers' Security Fund to provide collateral. The collateral not covered by the California Self-Insurers' Security Fund is covered by an irrevocable LOC for the benefit of the State of California Office of Self-Insurance Plans. The amount of the LOC is adjusted annually based on semi-annual filings of an actuarial study reflecting liabilities as of December 31 of each year reduced by claim closures and settlements. The related LOC was \$95.2 million as of November 30, 2019 and \$143.0 million as of February 23, 2019.

**Lease Guarantees:** The Company may have liability under certain operating leases that were assigned to third parties. If any of these third parties fail to perform their obligations under the leases, the Company could be responsible for the lease obligation. Because of the wide dispersion among third parties and the variety of remedies available, the Company believes that if an assignee became insolvent, it would not have a material effect on the Company's financial condition, results of operations or cash flows.

The Company also provides guarantees, indemnifications and assurances to others in the ordinary course of its business.

### ***Legal Proceedings***

The Company is subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits involving trade practices, lawsuits alleging violations of state and/or federal wage and hour laws (including alleged violations of meal and rest period laws and alleged misclassification issues), real estate disputes as well as other matters. Some of these suits purport or may be determined to be class actions and/or seek substantial damages. It is the opinion of the Company's management that although the amount of liability with respect to certain of the matters described herein cannot be ascertained at this time, any resulting liability of these and other matters, including any punitive damages, will not have a material adverse effect on the Company's business or financial condition.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where the loss contingency can be reasonably estimated and an adverse outcome is probable. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. Management currently believes that the aggregate range of reasonably possible loss for the Company's exposure in excess of the amount accrued is expected to be immaterial to the Company. It remains possible that despite management's current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material effect on the Company's financial condition, results of operations or cash flows.

**Office of Inspector General:** In January 2016, the Company received a subpoena from the Office of the Inspector General of the Department of Health and Human Services (the "OIG") pertaining to the pricing of drugs offered under the Company's MyRxCare discount program and the impact on reimbursements to Medicare, Medicaid and TRICARE (the "Government Health Programs"). In particular, the OIG requested information on the relationship between the prices charged for drugs under the MyRxCare program and the "usual and customary" prices reported by the Company in claims for reimbursements to the Government Health Programs or other third-party payors. The Company cooperated with the OIG in the investigation. The Company is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any.

**Civil Investigative Demand:** On December 16, 2016, the Company received a civil investigative demand from the United States Attorney for the District of Rhode Island in connection with a False Claims Act investigation relating to the Company's influenza vaccination programs. The investigation concerns whether the Company's provision of store coupons to its customers who received influenza vaccinations in its store pharmacies constituted an improper benefit to those customers under the federal Medicare and Medicaid programs. The Company believes that its provision of the store coupons to its customers is an allowable incentive to encourage vaccinations. The Company cooperated with the U.S. Attorney in the investigation. The Company is currently unable to determine the probability of the outcome of this matter or the range of possible loss, if any.

**Security Breach:** In 2014, the Company was the subject of criminal intrusions by the installation of malware on a portion of its computer network that processes payment card transactions for approximately 800 of its stores through its then service provider SuperValu. The Company believes these were attempts to collect payment card data. The forensic investigation into the intrusions indicated that although the Company was then compliant with the Payment Card Industry (PCI) Data Security Standards issued by the PCI Council, it was not compliant with all of these standards at the time of the intrusions. As a result, the Company was assessed by certain card companies for incremental counterfeit fraud losses, non-ordinary course expenses (such as card reissuance costs) and case management costs. The Company has paid for all of such assessments. The Company sought recovery from MasterCard of its assessment and has entered into a confidential settlement with MasterCard. As a result of the intrusion, two class action complaints were filed against the Company by consumers. These complaints have been dismissed, and the dismissal was upheld on appeal on May 31, 2019. In 2015, the Company also received a letter from the Office of the Attorney General of the Commonwealth of Pennsylvania stating that the Illinois and Pennsylvania Attorneys General Offices were leading a multi-state group requesting specified information concerning the two data breach incidents. The Company has cooperated with the investigation. The multi-state group did not make a monetary demand, and the Company is unable to estimate the possibility or range of loss, if any.

**Terraza/Lorenz:** Two lawsuits were brought against Safeway and the Safeway Benefits Plan Committee (the "Benefit Plans Committee," and together with Safeway, the "Safeway Benefits Plans Defendants") and other third parties alleging breaches of fiduciary duty under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with respect to Safeway's 401(k) Plan (the "Safeway 401(k) Plan"). On July 14, 2016, a complaint ("Terraza") was filed in the United States District Court for the Northern District of California by a participant in the Safeway 401(k) Plan individually and on behalf of the Safeway 401(k) Plan. An amended complaint was filed on November 18, 2016. On August 25, 2016, a second complaint ("Lorenz") was filed in the United States District Court for the Northern District of California by another participant in the Safeway 401(k) Plan individually and on behalf of all others similarly situated against the Safeway Benefits Plans Defendants and against the Safeway 401(k) Plan's former record-keepers. An amended complaint was filed on September 16, 2016, and a second amended complaint was filed on November 21, 2016. In general, both lawsuits alleged that the Safeway Benefits Plans Defendants breached their fiduciary duties under ERISA regarding the selection of investments offered under the Safeway 401(k) Plan and the fees and expenses related to those investments. All parties filed summary judgment motions which were heard and taken under submission on August 16, 2018. Plaintiffs' motions were denied, and defendants' motions were granted in part and denied in part. Bench trials for both matters were set for May 6, 2019. A settlement in principle was reached before trial. On September 13, 2019, settlement papers were filed with the court along with a motion for preliminary approval of the settlement.

A hearing for preliminary approval was set for November 20, 2019, but the Court vacated the hearing. The parties are awaiting a ruling from the Court. The Company has recorded an estimated liability for these matters.

**False Claims Act:** The Company is currently subject to two qui tam actions alleging violations of the False Claims Act ("FCA"). Violations of the FCA are subject to treble damages and penalties of up to a specified dollar amount per false claim. In *United States ex rel. Schutte and Yarberr v. SuperValu, New Albertson's, Inc., et al*, which is pending in the U.S. District Court for the Central District of Illinois, the relators allege that defendants (including various subsidiaries of the Company) overcharged government healthcare programs by not providing the government, as a part of usual and customary prices, the benefit of discounts given to customers who requested that defendants match competitor prices. The complaint was originally filed under seal and amended on November 30, 2015. On August 5, 2019, the Court granted relator's motion for partial summary judgment, holding that price matched prices are the usual and customary prices for those drugs. Additional summary judgment motions by both parties are pending. Trial will be set after the Court rules on the pending summary judgment motions. In *United States ex rel. Proctor v. Safeway*, also pending in the Central District of Illinois, the relator alleges that Safeway Inc. overcharged government healthcare programs by not providing the government, as part of its usual and customary prices, the benefit of discounts given to customers in pharmacy discount programs. On August 26, 2015, the underlying complaint was unsealed. Trial is set for May 12, 2020. In both of the above cases, the government previously investigated the relators' allegations and declined to intervene. Relators elected to pursue their respective cases on their own and in each case have alleged FCA damages in excess of \$100 million before trebling and excluding penalties. The Company is vigorously defending each of these matters and believes each of these cases is without merit. The Company has recorded an estimated liability for these matters.

The Company was also subject to another FCA qui tam action entitled *United States ex rel. Zelickowski v. Albertson's LLC*. In that case, the relators alleged that Albertson's LLC ("Albertson's") overcharged federal healthcare programs by not providing the government, as a part of its usual and customary prices to the government, the benefit of discounts given to customers who enrolled in the Albertson's discount-club program. The complaint was originally filed under seal and amended on June 20, 2017. On December 17, 2018, the case was dismissed, without prejudice.

**Alaska Attorney General's Investigation:** On May 22, 2018, the Company received a subpoena from the Office of the Attorney General for the State of Alaska (the "Alaska Attorney General") stating that the Alaska Attorney General has reason to believe the Company has engaged in unfair or deceptive trade practices under Alaska's Unfair Trade Practices and Consumer Act and seeking documents regarding the Company's policies, procedures, controls, training, dispensing practices and other matters in connection with the sale and marketing of opioid pain medications. The Company responded to the subpoena on July 30, 2018 and has not received any further communication from the Alaska Attorney General. The Company does not currently have a basis to believe it has violated Alaska's Unfair Trade Practices and Consumer Act, however, at this time, the Company is unable to determine the probability of the outcome of this matter or estimate a range of reasonably possible loss, if any.

**Opioid Litigation:** The Company is one of dozens of companies that have been named in various lawsuits alleging that defendants contributed to the national opioid epidemic. At present, the Company is named in over 70 suits pending in various state courts as well as in the United States District Court for the Northern District of Ohio, where over 2,000 cases have been consolidated as Multi-District Litigation ("MDL") pursuant to 28 U.S.C. §1407. In two matters--*MDL No. 2804* filed by The Blackfeet Tribe of the Blackfeet Indian Reservation and *State of New Mexico v. Purdue Pharma L.P., et al.*--the Company filed motions to dismiss, which were denied, and the Company has now answered the Complaints. The MDL cases are stayed pending bellwether trials, and the only active matter is the New Mexico action where a September 2021 trial date has been set. The Company is vigorously defending these matters and believes that these cases are without merit. At this early stage in the proceedings, the Company is unable to determine the probability of the outcome of these matters or the range of reasonably possible loss, if any.

**California Air Resources Board:** Upon the inspection by the California Air Resources Board ("CARB") of several of the Company's stores in California, it was determined that the Company failed certain paperwork and other

administrative requirements. As a result of the inspections, the Company proactively undertook a broad evaluation of the record keeping and administrative practices at all of its stores in California. In connection with this evaluation, the Company retained a third party to conduct an audit and correct deficiencies identified across its California store base. The Company is working with CARB to resolve these compliance issues and comply with governing regulations, and that work is ongoing. Although no monetary amount has been assessed by CARB, the Company could be subject to certain fines and penalties. Given its preliminary nature, the Company is unable to determine the probability of the outcome of this matter or estimate the range of reasonably possible loss, if any

**FACTA:** On May 31, 2019, a putative class action complaint entitled *Miller v. Safeway* was filed in the California Superior Court for the County of Alameda, alleging the Company failed to comply with the Fair and Accurate Credit Transactions Act ("FACTA") by printing receipts that failed to adequately mask payment card numbers as required by FACTA. The plaintiff claims the violation was "willful" and exposes the Company to statutory damages provided for in FACTA. The Company has answered the Complaint and is vigorously defending the matter. The Company believes that the case is without merit; however, at this early stage in the proceedings, the Company continues to assess the probability of the outcome or the range of reasonably possible loss, if any.

### ***Other Commitments***

In the ordinary course of business, the Company enters into various supply contracts to purchase products for resale and purchase and service contracts for fixed asset and information technology commitments. These contracts typically include volume commitments or fixed expiration dates, termination provisions and other standard contractual considerations.

### **NOTE 8 - OTHER COMPREHENSIVE INCOME OR LOSS**

Total comprehensive earnings are defined as all changes in stockholders' equity during a period, other than those from investments by or distributions to the stockholders. Generally, for the Company, total comprehensive income or loss equals net income plus or minus adjustments for pension and other post-retirement liabilities, interest rate swaps and foreign currency translation adjustments. Total comprehensive earnings represent the activity for a period net of tax.

While total comprehensive earnings are the activity in a period and are largely driven by net earnings in that period, accumulated other comprehensive income or loss ("AOCI") represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. Changes in the AOCI balance by component are shown below (in millions):

	<b>40 weeks ended November 30, 2019</b>			
	<b>Total</b>	<b>Interest rate swaps</b>	<b>Pension and Post- retirement benefit plans</b>	<b>Other</b>
Beginning balance	\$ 91.3	\$ 3.4	\$ 88.8	\$ (0.9)
Cumulative effect of accounting change (1)	16.6	1.2	14.9	0.5
Other comprehensive (loss) income before reclassifications	(31.8)	(44.9)	10.1	3.0
Amounts reclassified from accumulated other comprehensive income	1.5	(1.7)	3.2	—
Tax benefit (expense)	8.0	12.1	(3.4)	(0.7)
Current-period other comprehensive (loss) income, net of tax	(5.7)	(33.3)	24.8	2.8
Ending balance	<u>\$ 85.6</u>	<u>\$ (29.9)</u>	<u>\$ 113.6</u>	<u>\$ 1.9</u>

(1) Related to the adoption of ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," (see Note 1 for additional details).

	<b>40 weeks ended December 1, 2018</b>			
	<b>Total</b>	<b>Interest rate swaps</b>	<b>Pension and Post- retirement benefit plans</b>	<b>Other</b>
Beginning balance	\$ 191.1	\$ 18.9	\$ 171.9	\$ 0.3
Other comprehensive income (loss) before reclassifications	3.8	5.5	—	(1.7)
Amounts reclassified from accumulated other comprehensive income	(2.5)	0.4	(2.2)	(0.7)
Tax (expense) benefit	(0.3)	(1.6)	0.6	0.7
Current-period other comprehensive income (loss), net of tax	1.0	4.3	(1.6)	(1.7)
Ending balance	<u>\$ 192.1</u>	<u>\$ 23.2</u>	<u>\$ 170.3</u>	<u>\$ (1.4)</u>

## **Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report contains forward-looking statements. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future operating results and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In many cases, you can identify forward-looking statements by terms such as "may," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other similar expressions. Forward-looking statements are based on our current expectations and assumptions and involve risks and uncertainties that could cause actual results or events to be materially different from those anticipated. The Company undertakes no obligation to update or revise any such statements as a result of new information, future events or otherwise. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. As used in this Form 10-Q, unless the context otherwise requires, references to "Albertsons," the "Company," "we," "us" and "our" refer to Albertsons Companies, Inc. and, where appropriate, its subsidiaries.

### **NON-GAAP FINANCIAL MEASURES**

We define EBITDA as generally accepted accounting principles ("GAAP") earnings (net loss) before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as earnings (net loss) before interest, income taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not consider in assessing our ongoing performance. We define Adjusted Free Cash Flow as Adjusted EBITDA less capital expenditures. See "Results of Operations" for further discussion and a reconciliation of Adjusted EBITDA and Adjusted Free Cash Flow.

EBITDA, Adjusted EBITDA and Adjusted Free Cash Flow (collectively, the "Non-GAAP Measures") are performance measures that provide supplemental information we believe is useful to analysts and investors to evaluate our ongoing results of operations, when considered alongside other GAAP measures such as net income, operating income and gross profit. These Non-GAAP Measures exclude the financial impact of items management does not consider in assessing our ongoing operating performance, and thereby facilitate review of our operating performance on a period-to-period basis. Other companies may have different capital structures or different lease terms, and comparability to our results of operations may be impacted by the effects of acquisition accounting on our depreciation and amortization. As a result of the effects of these factors and factors specific to other companies, we believe EBITDA, Adjusted EBITDA and Adjusted Free Cash Flow provide helpful information to analysts and investors to facilitate a comparison of our operating performance to that of other companies. We also use Adjusted EBITDA, as further adjusted for additional items defined in our debt instruments, for board of director and bank compliance reporting. Our presentation of Non-GAAP Measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Non-GAAP Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Non-GAAP Measures only for supplemental purposes.

### **OVERVIEW**

As of November 30, 2019, we operated 2,260 retail food and drug stores with 1,732 pharmacies, 402 associated fuel centers, 23 dedicated distribution centers and 20 manufacturing facilities. In addition to our retail footprint, we strive

to differentiate through our best in class Own Brands and rapidly expanding eCommerce options, which primarily include home delivery sales and "Drive Up and Go" curbside pickup.

The following table shows stores operating, acquired, opened and closed during the periods presented:

	12 weeks ended		40 weeks ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Stores, beginning of period	2,262	2,291	2,269	2,318
Opened	5	—	12	3
Closed	(7)	(14)	(21)	(44)
Stores, end of period	2,260	2,277	2,260	2,277

The following table summarizes our stores by size:

Square Footage	Number of stores		Percent of Total		Retail Square Feet (1)	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Less than 30,000	204	208	9.0%	9.1%	4.7	4.8
30,000 to 50,000	787	795	34.8%	34.9%	33.0	33.4
More than 50,000	1,269	1,274	56.2%	56.0%	75.0	75.2
Total Stores	2,260	2,277	100.0%	100.0%	112.7	113.4

(1) In millions, reflects total square footage of retail stores operating at the end of the period.

## RESULTS OF OPERATIONS

### Comparison of 12 and 40 weeks ended November 30, 2019 to 12 and 40 weeks ended December 1, 2018:

The following table and related discussion set forth certain information and comparisons regarding the components of our Condensed Consolidated Statements of Operations for the 12 and 40 weeks ended November 30, 2019 ("third quarter of fiscal 2019" and "first 40 weeks of fiscal 2019") and 12 and 40 weeks ended December 1, 2018 ("third quarter of fiscal 2018" and "first 40 weeks of fiscal 2018").

	12 weeks ended			
	November 30, 2019	% of Sales	December 1, 2018	% of Sales
Net sales and other revenue	\$ 14,103.2	100.0 %	\$ 13,840.4	100.0 %
Cost of sales	10,108.1	71.7	9,988.0	72.2
Gross profit	3,995.1	28.3	3,852.4	27.8
Selling and administrative expenses	3,807.2	27.0	3,665.9	26.5
(Gain) loss on property dispositions and impairment losses, net	(18.7)	(0.1)	12.1	0.1
Operating income	206.6	1.4	174.4	1.2
Interest expense, net	154.8	1.1	213.0	1.5
Loss on debt extinguishment	—	—	9.5	0.1
Other income, net	(15.9)	(0.1)	(28.3)	(0.2)
Income (loss) before income taxes	67.7	0.4	(19.8)	(0.2)
Income tax expense (benefit)	12.9	0.1	(65.4)	(0.5)
Net income	\$ 54.8	0.3 %	\$ 45.6	0.3 %

	40 weeks ended			
	November 30, 2019	% of Sales	December 1, 2018	% of Sales
Net sales and other revenue	\$ 47,018.3	100.0 %	\$ 46,517.9	100.0 %
Cost of sales	33,842.1	72.0	33,682.0	72.4
Gross profit	13,176.2	28.0	12,835.9	27.6
Selling and administrative expenses	12,548.4	26.7	12,500.7	26.9
Gain on property dispositions and impairment losses, net	(482.7)	(1.0)	(163.7)	(0.4)
Operating income	1,110.5	2.3	498.9	1.1
Interest expense, net	557.5	1.2	662.5	1.5
Loss on debt extinguishment	65.8	0.1	9.5	—
Other income, net	(21.9)	—	(88.3)	(0.2)
Income (loss) before income taxes	509.1	1.0	(84.8)	(0.2)
Income tax expense (benefit)	110.5	0.2	(80.3)	(0.2)
Net income (loss)	\$ 398.6	0.8 %	\$ (4.5)	— %

### Net Sales and Other Revenue

Net sales and other revenue increased 1.9% to \$14,103.2 million for the third quarter of fiscal 2019 from \$13,840.4 million for the third quarter of fiscal 2018. The increase in Net sales and other revenue was primarily driven by our 2.7% increase in identical sales, partially offset by a reduction in sales related to the stores closed since the third quarter of fiscal 2018 and lower fuel sales.

Net sales and other revenue increased 1.1% to \$47,018.3 million for the first 40 weeks of fiscal 2019 from \$46,517.9 million for the first 40 weeks of fiscal 2018. The increase in Net sales and other revenue was primarily driven by our



2.1% increase in identical sales, partially offset by a reduction in sales related to the stores closed since the third quarter of fiscal 2018 and lower fuel sales.

### Identical Sales, Excluding Fuel

Identical sales include stores operating during the same period in both the current year and the prior year, comparing sales on a daily basis. Direct to consumer internet sales are included in identical sales, and fuel sales are excluded from identical sales. Acquired stores become identical on the one-year anniversary date of the acquisition. Identical sales for the 12 and 40 weeks ended November 30, 2019 and the 12 and 40 weeks ended December 1, 2018, respectively, were:

	12 weeks ended		40 weeks ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Identical sales, excluding fuel	2.7%	1.9%	2.1%	0.9%

Our identical sales for the 12 and 40 weeks ended November 30, 2019 benefited from growth in our online home delivery and Drive Up and Go sales and Own Brands sales.

### Gross Profit

Gross profit represents the portion of Net sales and other revenue remaining after deducting Cost of sales during the period, including purchase and distribution costs. These costs include inbound freight charges, purchasing and receiving costs, warehouse inspection costs, warehousing costs and other costs associated with our distribution network. Advertising, promotional expenses and vendor allowances are also components of Cost of sales.

Gross profit margin increased to 28.3% during the third quarter of fiscal 2019 compared to 27.8% during the third quarter of fiscal 2018. Excluding the impact of fuel, gross profit margin increased 40 basis points compared to the third quarter of fiscal 2018. The increase in gross profit margin was driven by improved product mix, including increased penetration in Own Brands and natural and organic products, improved shrink expense and lower depreciation expense, partially offset by higher rent expense related to sale leaseback transactions.

<b>Third quarter of fiscal 2019 vs. Third quarter of fiscal 2018</b>	<b>Basis point increase (decrease)</b>
Product mix, including increased penetration in Own Brands and natural and organic products	30
Lower shrink expense	16
Lower depreciation expense	7
Higher rent expense	(10)
Other	(3)
Total	40

Gross profit margin increased to 28.0% during the first 40 weeks of fiscal 2019 compared to 27.6% during the first 40 weeks of fiscal 2018. Excluding the impact of fuel, gross profit margin increased 30 basis points compared to the first 40 weeks of fiscal 2018. The increase in gross profit margin was driven by improved shrink expense, improved product mix, including increased penetration in Own Brands and natural and organic products, and lower depreciation expense, partially offset by continued reimbursement rate pressures in pharmacy and higher rent expense related to sale leaseback transactions.

<b>First 40 weeks of fiscal 2019 vs. First 40 weeks of fiscal 2018</b>	<b>Basis point increase (decrease)</b>
Lower shrink expense	22
Product mix, including increased penetration in Own Brands and natural and organic products	13
Lower depreciation expense	9
Pharmacy reimbursement rate pressure	(14)
Higher rent expense	(10)
Other	10
<b>Total</b>	<b>30</b>

### **Selling and Administrative Expenses**

Selling and administrative expenses consist primarily of store level costs, including wages, employee benefits, rent, depreciation and utilities, in addition to certain back-office expenses related to our corporate and division offices.

Selling and administrative expenses increased to 27.0% of Net sales and other revenue during the third quarter of fiscal 2019 compared to 26.5% of Net sales and other revenue for the third quarter of fiscal 2018. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue increased 40 basis points during the third quarter of fiscal 2019 compared to the third quarter of fiscal 2018. The increase in Selling and administrative expenses was primarily attributable to increased rent expense and occupancy costs related to store properties and investments in strategic initiatives, partially offset by lower depreciation and amortization expense and lower integration and acquisition-related costs.

<b>Third quarter of fiscal 2019 vs. Third quarter of fiscal 2018</b>	<b>Basis point increase (decrease)</b>
Rent expense and occupancy costs	31
Investments in strategic initiatives	13
Depreciation and amortization	(13)
Lower integration and acquisition-related costs	(5)
Other	14
<b>Total</b>	<b>40</b>

Selling and administrative expenses decreased to 26.7% of Net sales and other revenue during the first 40 weeks of fiscal 2019 compared to 26.9% of Net sales and other revenue for the first 40 weeks of fiscal 2018. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue decreased 30 basis points during the first 40 weeks of fiscal 2019 compared to the first 40 weeks of fiscal 2018. The decrease in Selling and administrative expenses was primarily attributable to lower integration and acquisition-related costs and lower depreciation and amortization expense, partially offset by an increase in rent expense and occupancy costs related to store properties, investments in strategic initiatives and higher employee wage and benefit costs. Lower acquisition and integration costs were driven by the completion of the Safeway integration during the third quarter of fiscal 2018, resulting in no store conversions in the first 40 weeks of fiscal 2019 compared to 506 store conversions in the first 40 weeks of fiscal 2018. The integration costs in the first 40 weeks of fiscal 2019 were largely driven by the conversion of back-office related areas and a distribution center.

<b>First 40 weeks of fiscal 2019 vs. First 40 weeks of fiscal 2018</b>	<b>Basis point increase (decrease)</b>
Lower integration and acquisition-related costs	(37)
Depreciation and amortization	(9)
Rent expense and occupancy costs	13
Investments in strategic initiatives	9
Employee wage and benefit cost	7
Other	(13)
<b>Total</b>	<b>(30)</b>

### **Gain (Loss) on Property Dispositions and Impairment Losses, Net**

For the third quarter of fiscal 2019, net gain on property dispositions and impairment losses was \$18.7 million, primarily driven by \$20.9 million of gains from the sale of assets, partially offset by \$2.2 million of asset impairments. For the third quarter of fiscal 2018, net loss on property dispositions and impairment losses was \$12.1 million, primarily driven by \$30.0 million of asset impairments, partially offset by \$18.0 million of gains from the sale of assets.

For the first 40 weeks of fiscal 2019, net gain on property dispositions and impairment losses was \$482.7 million, primarily driven by \$539.0 million of gains from the sale of assets including \$463.6 million of gains related to sale leaseback transactions during the second quarter of fiscal 2019, partially offset by \$56.3 million of asset impairments including an impairment loss of \$38.6 million related to certain assets of our meal kit operations. For the first 40 weeks of fiscal 2018, net gain on property dispositions and impairment losses was \$163.7 million, primarily driven by \$216.0 million of gains related to the sale of various store properties and supply chain related assets, partially offset by \$52.3 million of asset impairments primarily related to store properties and non-operating surplus assets.

### **Interest Expense, Net**

Interest expense, net was \$154.8 million during the third quarter of fiscal 2019 compared to \$213.0 million during the third quarter of fiscal 2018. The decrease in interest expense was primarily attributable to lower average outstanding borrowings and lower average interest rates. The weighted average interest rate during the third quarter of fiscal 2019 was 6.3%, excluding amortization and write-off of deferred financing costs and original issue discount, compared to 6.5% during the third quarter of fiscal 2018.

Interest expense, net was \$557.5 million during the first 40 weeks of fiscal 2019 compared to \$662.5 million during the first 40 weeks of fiscal 2018. The decrease in interest expense was primarily attributable to lower average outstanding borrowings and lower average interest rates, partially offset by an increase in previously deferred financing costs and original issue discounts that were expensed in connection with the term loan repayments and refinancing of our term loan. The weighted average interest rate during the first 40 weeks of fiscal 2019 was 6.4%, excluding amortization and write-off of deferred financing costs and original issue discount, compared to 6.6% during the first 40 weeks of fiscal 2018.

### **Loss on Debt Extinguishment**

No loss on debt extinguishment was recorded during the third quarter of fiscal 2019, and \$65.8 million of loss on debt extinguishment was recorded during the first 40 weeks of fiscal 2019. There was \$9.5 million of loss on debt extinguishment during the third quarter of fiscal 2018 and first 40 weeks of fiscal 2018. The losses on debt extinguishment primarily consist of the write-off of debt discounts associated with the tender offer and various repurchases of notes.

### **Other Income, Net**

For the third quarter of fiscal 2019, Other income, net was \$15.9 million compared to \$28.3 million for the third quarter of fiscal 2018. For the first 40 weeks of fiscal 2019, Other income, net was \$21.9 million compared to \$88.3 million for the first 40 weeks of fiscal 2018. Other income, net during both the third quarter of fiscal 2019 and the first 40 weeks of fiscal 2019 was primarily driven by non-service cost components of net pension and post-retirement expense and unrealized gains from non-operating investments. Other income, net during both the third quarter of fiscal 2018 and the first 40 weeks of fiscal 2018 is primarily driven by adjustments related to contingent consideration, gains related to non-operating investments, and non-service cost components of net pension and post-retirement expense.

### **Income Taxes**

Income tax expense was \$12.9 million, representing a 19.1% effective tax rate, for the third quarter of fiscal 2019. For the first 40 weeks of fiscal 2019, Income tax expense was \$110.5 million, representing a 21.7% effective tax rate. Our effective tax rate for the third quarter of fiscal 2019 and first 40 weeks of fiscal 2019 differs from the federal income tax statutory rate of 21% primarily due to state income taxes, reduced by income tax credits and charitable donation benefit. Income tax benefit was \$65.4 million and \$80.3 million for the third quarter of fiscal 2018 and the first 40 weeks of fiscal 2018, respectively. The tax benefit in fiscal 2018 was primarily driven by our provisional SAB 118 adjustment of \$60.3 million, primarily to account for refinement of the transition tax, and the remeasurement of deferred taxes.

## Adjusted EBITDA and Adjusted Free Cash Flow

For the third quarter of fiscal 2019, Adjusted EBITDA was \$634.4 million, or 4.5% of Net sales and other revenue, compared to \$649.7 million, or 4.7% of Net sales and other revenue, for the third quarter of fiscal 2018. For the first 40 weeks of fiscal 2019, Adjusted EBITDA was \$2,078.8 million, or 4.4% of Net sales and other revenue, compared to \$2,014.1 million, or 4.3% of Net sales and other revenue, for the first 40 weeks of fiscal 2018. The decrease in Adjusted EBITDA for the third quarter of fiscal 2019 primarily relates to incremental rent expense and occupancy costs from sale leaseback transactions and investments in strategic initiatives, including digital and technology, partially offset by our identical sales increase and continued improvements in shrink expense. The increase in Adjusted EBITDA for the first 40 weeks of fiscal 2019 primarily relates to our identical sales increase and higher gross profit margin, due in part to higher fuel margin, and continued improvements in shrink expense, partially offset by incremental rent expense and occupancy costs from sale leaseback transactions, higher employee wage and benefit costs and investments in strategic initiatives, including digital and technology.

The following is a reconciliation of Net income (loss) to Adjusted EBITDA (in millions):

	12 weeks ended		40 weeks ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Net income (loss)	\$ 54.8	\$ 45.6	\$ 398.6	\$ (4.5)
Depreciation and amortization	384.3	401.6	1,281.9	1,340.8
Interest expense, net	154.8	213.0	557.5	662.5
Income tax expense (benefit)	12.9	(65.4)	110.5	(80.3)
EBITDA	606.8	594.8	2,348.5	1,918.5
Integration costs (1)	14.0	29.5	36.4	164.4
Acquisition-related costs (2)	3.4	8.3	14.6	65.8
Equity-based compensation expense	7.2	9.9	24.8	35.5
Loss on debt extinguishment	—	9.5	65.8	9.5
(Gain) loss on property dispositions and impairment losses, net	(18.7)	12.1	(482.7)	(163.7)
LIFO expense	2.6	2.8	18.9	15.7
Miscellaneous adjustments (3)	19.1	(17.2)	52.5	(31.6)
Adjusted EBITDA	\$ 634.4	\$ 649.7	\$ 2,078.8	\$ 2,014.1

(1) Related to conversion activities and related costs associated with integrating acquired businesses, primarily the Safeway acquisition.

(2) Includes expenses related to acquisitions (including the mutually terminated merger with Rite Aid Corporation in fiscal 2018) and expenses related to management fees paid in connection with acquisition and financing activities.

(3) Miscellaneous adjustments include the following (see table below):

	12 weeks ended		40 weeks ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Non-cash lease-related adjustments	\$ 7.0	\$ (1.4)	\$ 13.3	\$ (6.9)
Lease and lease-related costs for surplus and closed stores	4.5	2.4	16.5	16.9
Facility closure costs (a)	11.0	1.8	11.0	13.4
Net realized and unrealized (gain) loss on non-operating investments	(10.0)	7.4	(2.5)	(26.0)
Adjustments to contingent consideration	—	(29.4)	—	(39.4)
Certain legal and regulatory accruals and settlements, net	0.1	—	(1.8)	—
Other (b)	6.5	2.0	16.0	10.4
Total other adjustments	<u>\$ 19.1</u>	<u>\$ (17.2)</u>	<u>\$ 52.5</u>	<u>\$ (31.6)</u>

(a) Includes costs related to facility closures. Includes closure costs related to the discontinuation of our meal kit subscription delivery operations in the third quarter of fiscal 2019.

(b) Primarily includes adjustments for unconsolidated equity investments.

The following is a reconciliation of Net cash provided by operating activities to Adjusted Free Cash Flow (in millions):

	40 weeks ended	
	November 30, 2019	December 1, 2018
Net cash provided by operating activities	\$ 1,387.0	\$ 1,069.1
Income tax expense (benefit)	110.5	(80.3)
Deferred income taxes	40.6	135.2
Interest expense, net	557.5	662.5
Operating lease right-of-use assets amortization	(418.3)	—
Changes in operating assets and liabilities	326.1	(146.8)
Amortization and write-off of deferred financing costs	(35.4)	(38.3)
Contributions to pension and post-retirement benefit plans, net of expense	16.2	178.2
Integration costs	36.4	164.4
Acquisition-related costs	14.6	65.8
Other adjustments	43.6	4.3
Adjusted EBITDA	2,078.8	2,014.1
Less: capital expenditures	(1,083.7)	(916.9)
Adjusted Free Cash Flow	<u>\$ 995.1</u>	<u>\$ 1,097.2</u>

## LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth the major sources and uses of cash and cash equivalents and restricted cash for each period (in millions):

	40 weeks ended	
	November 30, 2019	December 1, 2018
Cash and cash equivalents and restricted cash at end of period	\$ 416.6	\$ 486.1
Cash flows provided by operating activities	1,387.0	1,069.1
Cash flows used in investing activities	(25.4)	(360.6)

Cash flows used in financing activities

(1,912.7)

(903.2)

**Net Cash Provided by Operating Activities**

Net cash provided by operating activities was \$1,387.0 million for the first 40 weeks of fiscal 2019 compared to \$1,069.1 million for the first 40 weeks of fiscal 2018. The increase in cash flow from operations compared to the first 40 weeks of fiscal 2018 is primarily due to improvements in Adjusted EBITDA, lower acquisition and integration costs, lower contributions to defined benefit pension plans and post-retirement benefit plans and a decrease in cash paid for interest, partially offset by changes in working capital and an increase in cash paid for income taxes primarily related to sale leaseback transactions.

**Net Cash Used in Investing Activities**

Net cash used in investing activities was \$25.4 million for the first 40 weeks of fiscal 2019 compared to \$360.6 million for the first 40 weeks of fiscal 2018.

For the first 40 weeks of fiscal 2019, cash used in investing activities consisted primarily of payments for property and equipment, including lease buyouts, of \$1,083.7 million, partially offset by proceeds from the sale of assets of \$1,061.0 million. Payments for property and equipment included the opening of 12 new stores, completion of 153 remodels and continued investment in our digital and eCommerce technology. Proceeds from the sale of assets primarily includes the sale and leaseback of 53 store properties and one distribution center for \$931.3 million, net of closing costs, during the second quarter of fiscal 2019 and certain other property dispositions during the first 40 weeks of fiscal 2019. For the first 40 weeks of fiscal 2018, cash used in investing activities consisted primarily of payments for property and equipment, including lease buyouts, of \$916.9 million, partially offset by proceeds from the sale of assets of \$529.3 million. Payments for property and equipment included the opening of three new stores, completion of 91 remodels and continued investment in our digital and eCommerce technology. Proceeds from the sale of assets included the sale and leaseback of two distribution centers for approximately \$290 million, net of closing costs, during the second quarter of fiscal 2018 and certain other property dispositions during the first 40 weeks of fiscal 2018.

In fiscal 2019, we expect to spend approximately \$1.5 billion in capital expenditures, as follows (in millions):

**Projected Fiscal 2019 Capital Expenditures**

New stores and remodels	\$	625.0
Maintenance		200.0
Supply chain		100.0
IT		375.0
Real estate and expansion capital		200.0
Total	\$	<u>1,500.0</u>

**Net Cash Used in Financing Activities**

Net cash used in financing activities was \$1,912.7 million during the first 40 weeks of fiscal 2019 compared to \$903.2 million during the first 40 weeks of fiscal 2018.

Net cash used in financing activities during the first 40 weeks of fiscal 2019 consisted primarily of payments on long-term debt of \$3,300.8 million, partially offset by proceeds from the issuance of long-term debt of \$1,518.0 million. Payments on long-term debt principally consisted of the term loan repayments, tender offer and various repurchases of notes, as further discussed below.

Net cash used in financing activities during the first 40 weeks of fiscal 2018 consisted primarily of payments on long-term debt of \$2,113.8 million, partially offset by proceeds from the issuance of long-term debt of \$1,365.8 million. Proceeds from the issuance of long-term debt and payments of long-term debt principally consisted of the issuance and subsequent redemption of the \$750 million floating rate senior secured notes as a result of the mutual termination

of the Rite Aid Corporation merger agreement, borrowings under our ABL Facility and the repayment of term loans in connection with the refinancing and the repurchase of Safeway notes.

## **Debt Management**

In our continued commitment to delever our balance sheet and improve financial flexibility, we have reduced our outstanding debt balance by more than \$1.8 billion during fiscal 2019 to date. As of November 30, 2019, we had \$18.0 million borrowings outstanding under our \$4.0 billion ABL Facility, and total availability of approximately \$3.5 billion (net of letter of credit usage).

On November 22, 2019, we completed the issuance of \$750.0 million of principal amount of 4.625% Senior Unsecured Notes which will mature on January 15, 2027 (the "2027 Notes"). Also on November 22, 2019, we repaid approximately \$743 million in aggregate principal amount outstanding under our term loan facilities which was to mature on November 17, 2025, along with accrued and unpaid interest and fees and expenses, with the proceeds from the issuance of the 2027 Notes.

On August 15, 2019, we repaid approximately \$1,571 million in aggregate principal amount outstanding under our term loan facilities, along with accrued and unpaid interest and fees and expenses, using cash on hand and proceeds from the issuance of the 2028 Notes (as defined below). Contemporaneously with the term loan repayment, we refinanced the remaining amounts outstanding with new term loan tranches. The new tranches consist of \$3.1 billion in aggregate principal, of which \$1,500.0 million matures on November 17, 2025 and \$1,600.0 million matures on August 17, 2026. The new loans amortize, on a quarterly basis, at a rate of 1.0% per annum of the original principal amount. The new loans bear interest, at the borrower's option, at a rate per annum equal to either (a) the base rate plus 1.75% or (b) LIBOR plus 2.75%, subject to a 0.75% floor.

Also on August 15, 2019, we completed the issuance of \$750.0 million of principal amount of 5.875% Senior Unsecured Notes which will mature on February 15, 2028 (the "2028 Notes"). Proceeds from the 2028 Notes were used to partially fund the August 15, 2019 term loan repayment discussed above.

On May 24, 2019, we completed a cash tender offer and early redemption of \$34.1 million of Safeway notes and \$402.9 million of NALP Notes for an aggregate of \$415.3 million in cash plus accrued and unpaid interest. During the first 40 weeks of fiscal 2019, we also repurchased NALP Notes on the open market with an aggregate par value of \$553.9 million for \$547.5 million in cash plus accrued and unpaid interest.

During the second quarter of fiscal 2019, we completed the sale and leaseback of 53 store properties and one distribution center, through three separate transactions, for an aggregate purchase price, net of closing costs, of \$931.3 million. In connection with the sale and leaseback transactions, we entered into lease agreements for each of the properties for initial terms ranging from 15 to 20 years. The aggregate initial annual rent payment for the properties is approximately \$53 million and includes 1.50% to 1.75% annual rent increases over the initial lease terms. All of the properties qualified for sale leaseback and operating lease accounting, and we recorded total gains of \$463.6 million, which is included as a component of (Gain) loss on property dispositions and impairment losses, net. We also recorded operating lease ROU assets and corresponding operating lease liabilities of \$602.5 million.

## **Liquidity Needs**

We estimate our liquidity needs over the next 12 months to be in the range of \$4.0 billion to \$4.5 billion, which includes anticipated requirements for working capital, capital expenditures, interest payments and scheduled principal payments of debt, operating leases and finance leases. Based on current operating trends, we believe that cash flows from operating activities and other sources of liquidity, including borrowings under our ABL Facility, will be adequate to meet our liquidity needs for the next 12 months and for the foreseeable future. We believe we have adequate cash flow to continue to respond effectively to competitive conditions. In addition, we may enter into refinancing and sale leaseback

transactions from time to time. There can be no assurance, however, that our business will continue to generate cash flow at or above current levels or that we will maintain our ability to borrow under our ABL Facility.

## **CRITICAL ACCOUNTING POLICIES**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We have chosen accounting policies that we believe are appropriate to report accurately and fairly our operating results and financial position, and we apply those accounting policies in a fair and consistent manner. See the Critical Accounting Policies section included in our Annual Report on Form 10-K for the fiscal year ended February 23, 2019 for discussion of our significant accounting policies.

## **RECENTLY ISSUED AND RECENTLY ADOPTED ACCOUNTING STANDARDS**

See Note 1 - Basis of presentation and summary of significant accounting policies of our unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

## **Item 3 - Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in our exposure to market risk from the information provided in our Annual Report on Form 10-K for the fiscal year ended February 23, 2019.

## **Item 4 - Controls and Procedures**

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q, our Principal Executive Officer and Principal Financial Officer concluded our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

## **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the third quarter ended November 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1 - Legal Proceedings**

The Company is subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits involving trade practices, lawsuits alleging violations of state and/or federal wage and hour laws (including alleged violations of meal and rest period laws and alleged misclassification issues), real estate disputes as well as other matters. Some of these suits purport or may be determined to be class actions and/or seek substantial damages. It is the opinion of the Company's management that although the amount of liability with respect to certain of the matters described in this Form 10-Q cannot be ascertained at this time, any resulting liability of these and other matters, including any punitive damages, will not have a material adverse effect on the Company's business or financial condition. See the matters under the caption *Legal Proceedings* in Note 7 - Commitments and contingencies and off balance sheet arrangements in the unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where the loss contingency can be reasonably estimated and an adverse outcome is probable. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. Management currently believes that the aggregate range of reasonably possible loss for the Company's exposure in excess of the amount accrued is expected to be immaterial to the Company. It remains possible that despite management's current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material effect on the Company's financial condition, results of operations or cash flows.

### **Item 1A - Risk Factors**

There have been no material changes in the risk factors previously included in our Annual Report on Form 10-K for the fiscal year ended February 23, 2019 under the heading "Risk Factors."

### **Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds**

On October 21, 2019, the Company issued 1,547,694 shares of common stock to Albertsons Investor and 167,608 shares of common stock to KIM ACI related to the settlement of Phantom Units upon vesting.

### **Item 3 - Defaults Upon Senior Securities**

None.

### **Item 4 - Mine Safety Disclosures**

Not Applicable.

### **Item 5 - Other Information**

None.

## **Item 6 - Exhibits**

[4.1\(a\) Indenture, dated as of November 22, 2019, by and among Albertsons Companies, Inc., Safeway Inc., New Albertsons L.P., Albertson's LLC, the guarantors party thereto from time to time, and Wilmington Trust, National Association, as Trustee.](#)

[10.1\(b\) Amended and Restated Employment Agreement, dated May 1, 2019, between Albertsons Companies, Inc. and Robert Dimond.](#)

[10.2\(b\) Amended and Restated Employment Agreement, dated May 1, 2019, between Albertsons Companies, Inc. and Shane Sampson.](#)

[10.3\(b\) Amended and Restated Employment Agreement, dated May 1, 2019, between Albertsons Companies, Inc. and Anuj Dhanda.](#)

[10.4\(b\) Amended and Restated Employment Agreement, dated May 1, 2019, between Albertsons Companies, Inc. and Susan Morris.](#)

[10.5\(b\) Emeritus Agreement, dated December 16, 2019, by and between Albertsons Companies, Inc. and Robert G. Miller.](#)

[31.1 Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[31.2 Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[32.1 Certification of the Principal Executive Officer and of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

EXHIBIT 101.INS - Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

EXHIBIT 101.SCH - Inline XBRL Taxonomy Extension Schema Document.

EXHIBIT 101.CAL - Inline XBRL Taxonomy Extension Calculation Linkbase Document.

EXHIBIT 101.DEF - Inline XBRL Taxonomy Extension Definition Linkbase Document.

EXHIBIT 101.LAB - Inline XBRL Taxonomy Extension Label Linkbase Document.

EXHIBIT 101.PRE - Inline XBRL Taxonomy Extension Presentation Linkbase Document

EXHIBIT 104 - Cover Page Interactive Data File (embedded within the Inline XBRL document)

(a) Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 22, 2019 and incorporated herein by reference.

(b) Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Albertsons Companies, Inc.**  
(Registrant)

Date: January 8, 2020

By: /s/ Vivek Sankaran  
Vivek Sankaran  
*President, Chief Executive Officer and Director (Principal Executive Officer)*

Date: January 8, 2020

By: /s/ Robert B. Dimond  
Robert B. Dimond  
*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

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## Section 2: EX-10.1 (EXHIBIT 10.1)

### AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), dated as of May 1, 2019 (the "Effective Date"), between Albertsons Companies, Inc., a Delaware corporation (the "Company"), and Robert Dimond (the "Executive," and together with the Company, the "Parties").

WHEREAS, the Executive is currently employed by the Company, or its affiliate, pursuant to an Amended and Restated Employment Agreement, dated as of August 1, 2017 (the "Prior Employment Agreement"); and

WHEREAS, the Parties desire to amend and restate the Prior Employment Agreement to] set forth the terms and conditions of the Executive's continued employment with the Company under this Agreement that will supersede the Prior Employment Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and

other good and valuable consideration, the Parties agree to the following:

1. Employment and Acceptance. The Company shall continue to employ the Executive, and the Executive shall accept employment with the Company, subject to the terms of this Agreement effective on the Effective Date.

2. Term. Subject to earlier termination pursuant to Section 5 of this Agreement, this Agreement and the employment relationship hereunder shall continue from the Effective Date until January 30, 2023 (the "Term Date"). As used in this Agreement, the "Term" shall refer to the period beginning on the Effective Date and ending on the date the Executive's employment hereunder terminates in accordance with this Section 2 or Section 5. In the event that the Executive's employment with the Company terminates (such date, the "Termination Date") prior to the Term Date, the Company's obligation to continue to pay all base salary, as adjusted, bonus and other benefits then accrued shall terminate except as may be provided for in Section 5 of this Agreement.

3. Duties and Title.

3.1 Title. The Executive shall be employed to render exclusive and full-time services to the Company and its subsidiaries and affiliates. The Executive shall serve in the capacity of Executive Vice President and Chief Financial Officer.

3.2 Duties. The Executive shall have such authority and responsibilities and shall perform such executive duties customarily performed by a similarly titled executive of a company in similar lines of business as the Company, its subsidiaries and its affiliates or as may be assigned to the Executive by the Chief Executive Officer of the Company (the "CEO"). The Executive shall devote all of the Executive's full working-time and best efforts to the performance of such duties and to the promotion of the business and interests of the Company, its subsidiaries and its affiliates.

Notwithstanding the foregoing, during the Term, subject to disclosure to, and approval by, the Board of Directors of the Company (the "Board") or the CEO, the Executive may

(a) continue to serve on any boards of directors upon which the Executive serves as of the Effective

Date, and (b) serve on other corporate, industry, civic or charitable boards and committees, provided that with respect to (a) and (b), (x) such activities, in the Board's or CEO's discretion, do not materially interfere with and are not inconsistent with the Executive's performance of the Executive's duties under this Agreement and (y) any such entity does not engage in the "Business" (as defined below).

#### 4. Compensation and Benefits by the Company.

4.1 Base Salary. During the Term, the Company shall pay to the Executive an annual base salary of \$850,000 payable in accordance with the customary payroll practices of the Company ("Base Salary"). The Executive shall be entitled to such increases, if any, in Base Salary as may be determined from time to time by the Board or the compensation committee of the Board (the "Compensation Committee").

4.2 Bonuses. During the Term, the Executive shall be eligible to receive a bonus or bonuses (collectively, the "Bonus") for each fiscal year of the Company subject to a plan (or plans) established by the Company (the "Bonus Plan") in an amount determined by the Board (or the Compensation Committee) based upon achievement of performance measures derived from the business plan presented by management and approved by the Board (or the Compensation Committee). The target amount of the Executive's Bonus for each fiscal year shall be 100% of the Base Salary (the "Target Bonus"). If such performance measures are only partially achieved or not achieved, the Executive shall only be entitled to such Bonus, if any, as provided under the applicable Bonus Plan or as otherwise determined in the sole discretion of the Board (or the Compensation Committee).

4.3 Participation in Employee Benefit Plans. The Executive shall be entitled, if and to the extent eligible, to participate in all of the applicable benefit plans of the Company or its affiliates, which may be available to other senior executives of the Company, on the same terms as such other executives. The Company or its affiliates may at any time or from time to time amend, modify, suspend or terminate any employee benefit plan, program or arrangement for any reason without the Executive's consent if such amendment, modification, suspension or termination is consistent with the amendment, modification, suspension or termination for other similarly-situated employees of the Company and its affiliates.

4.4 Expense Reimbursement. The Executive shall be entitled to receive reimbursement for all of the Executive's appropriate business expenses incurred in connection with the Executive's duties under this Agreement in accordance with the policies of the Company as in effect from time to time, as well as reimbursement for the costs incurred by the Executive in connection with the preparation of the Executive's applicable tax returns, up to a maximum of \$8,000 annually.

#### 5. Termination of Employment.

5.1 By the Company for Cause or by the Executive Without Good Reason. If: (i) the Company terminates the Executive's employment with the Company for "Cause" (as defined below); or (ii) the Executive voluntarily terminates the Executive's employment without "Good Reason" (as defined below), the Executive shall be entitled to receive the following:

(a) payment for accrued but unused vacation days, payable in accordance with Company policy;

(b) the Executive's accrued but unpaid Base Salary and vested benefits, if any, through the Termination Date;

(c) the earned but unpaid portion of any Bonus earned in respect of any completed performance period prior to the Termination Date; and

(d) expenses reimbursable under Section 4.4 incurred but not yet reimbursed to the Executive through the Termination Date (Sections 5.1(a), 5.1(b), 5.1(c) and 5.1(d), collectively, the "Accrued Benefits").

For the purposes of this Agreement, "Cause" means, as determined by the Board (or its designee), with respect to conduct during the Executive's employment with the Company, whether or not committed during the Term, (i) conviction of a felony by the Executive; (ii) acts of intentional dishonesty by the Executive resulting or intending to result in personal gain or enrichment at the expense of the Company, its subsidiaries or its affiliates; (iii) the Executive's material breach of the Executive's obligations under this Agreement; (iv) conduct by the Executive in connection with the Executive's duties hereunder that is fraudulent, unlawful or grossly negligent; (v) engaging in personal conduct by the Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Company, its subsidiaries or its affiliates;

(vi) contravention of specific lawful direction from the Board or (vii) breach of the Executive's covenants set forth in Section 6 below before termination of employment. The Executive shall have fifteen (15) business days after notice from the Company to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately (or on such other date set forth by the Company).

For the purposes of this Agreement, "Good Reason" means the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause, for such termination exists or has occurred): (i) a reduction in the Executive's Base Salary or Target Bonus, provided that, the Company may at any time or from time to time amend, modify, suspend or terminate any bonus, incentive compensation or other benefit plan or program provided to the Executive for any reason and without the Executive's consent if such modification, suspension or termination (x) is a result of the underperformance of the Company under its business plan, or (y) is consistent with an "across the board" reduction for all senior executives of the Company, and, in each case, is undertaken in the Board's reasonable business judgment, acting in good faith, and engaging in fair dealing with the Executive; or (ii) without the Executive's prior written consent, relocation of the Executive's principal location of work to any location that is in excess of fifty

(50) miles from the location thereof on the Effective Date.

The Company shall have fifteen (15) business days after receipt from the Executive of a written notice specifying the deficiency to cure the deficiency that would result in Good Reason.

5.2 Due to Death or Disability. If either: (a) the Executive's employment terminates due to the Executive's death; or (b) the Company terminates the Executive's

employment with the Company due to the Executive's "Disability" (as defined below), the Executive or the Executive's beneficiaries (in the case of the Executive's death), shall be entitled to receive (i) the Accrued Benefits and (ii) subject to Section 5.4, a lump sum payment in an amount equal to twenty-five percent (25%) of the Executive's then Base Salary.

For the purposes of this Agreement, "Disability" means a determination by the Company in accordance with applicable law that as a result of a physical or mental injury or illness, the Executive is unable to perform the essential functions of the Executive's job with or without reasonable accommodation for a period of (i) ninety (90) consecutive days; or (ii) one hundred eighty (180) days in any one (1) year period.

The Company shall have no obligation to provide the benefits set forth above (other than the Accrued Benefits) in the event that the Executive breaches the provisions of Section 6.

5.3 By the Company Without Cause or By the Executive for Good Reason. If the Company terminates the Executive's employment without Cause or the Executive voluntarily terminates the Executive's employment for Good Reason, the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 5.4:

(a) a lump sum payment in an amount equal to two hundred percent (200%) of the sum of (i) the Base Salary, plus (ii) the Target Bonus, each based on the then Base Salary; and

(b) reimbursement on a monthly basis of the cost of continuation coverage of group health coverage (including family coverage) for twelve (12) months; provided that the Executive elects continuation coverage under a policy, plan, program or arrangement of the Company or its affiliate pursuant to COBRA. The twelve (12) month period shall include, and run concurrently with, the maximum continuation coverage period pursuant to COBRA. If, and to the extent, that any benefit described in this Section 5.3(c) cannot be paid or provided under any policy, plan, program or arrangement of the Company, then the Company itself shall pay or provide for the payment to the Executive, the Executive's dependents, eligible family members and beneficiaries, of such benefits, along with, in the case of any benefit described in this Section 5.3(c) which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company, an additional amount such that after payment by the Executive, or the Executive's dependents, eligible family members or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, benefits under this Section 5.3(c) shall cease when the Executive is covered under another group health plan.

5.4 Continued Compliance and Release. The Company shall have no obligation to provide the payments and benefits provided in Section 5.2 and Section 5.3 (other than the Accrued Benefits) (the "Severance Benefits") in the event (a) the Executive breaches the provisions of Section 6 of this Agreement and (b) unless the Executive signs, and does not revoke, a valid release agreement in a form reasonably acceptable to the Company (the "Release"), not later than sixty (60) days following the Termination Date. If the Severance Benefits are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such Severance Benefits shall begin (or be paid, as applicable) on the first pay period following the date that is

sixty (60) days after the Termination Date. If the Severance Benefits are not otherwise subject to Section 409A of the Code, they shall begin (or be paid, as applicable) on the first pay period after the Release becomes effective.

5.5 No Mitigation. The obligations of the Company to the Executive which arise upon the termination of the Executive's employment pursuant to this Section 5 shall not be subject to mitigation or offset.

5.6 Removal from any Boards and Position. If the Executive's employment is terminated for any reason under this Agreement, the Executive shall be deemed to resign (i) if a member, from the Board or board of directors of any subsidiary or affiliate of the Company or any other board to which the Executive has been appointed or nominated by or on behalf of the Company and (ii) from any position with the Company or any subsidiary or affiliate of the Company, including, but not limited to, as an officer of the Company and any of its subsidiaries.

5.7 Continued Employment Beyond the Expiration of the Term. Unless the Company and the Executive otherwise agree in writing, continuation of the Executive's employment with the Company beyond the expiration of the Term shall be deemed an employment at-will and shall not be deemed to extend any of the provisions of this Agreement and the Executive's employment may thereafter be terminated at will by either the Executive or the Company; provided that Sections 6, 7, 8, 9.7 and 9.12 of this Agreement shall survive any termination of this Agreement or the termination of the Executive's employment hereunder.

6. Restrictions and Obligations of the Executive.

6.1 Confidentiality.

(a) During the course of the Executive's employment by the Company and its affiliates (prior to, during, and if applicable, after, the Term), the Executive has had and shall have access to certain trade secrets and confidential information relating to the Company, its subsidiaries and its affiliates (the "Protected Parties") which is not readily available from sources outside the Protected Parties. The confidential and proprietary information and, in any material respect, trade secrets of the Protected Parties are among their most valuable assets, including but not limited to, their customer, supplier and vendor lists, databases, competitive strategies, computer programs, frameworks, or models, their marketing programs, their sales, financial, marketing, training and technical information, their product development (and proprietary product data) and any other information, whether communicated orally, electronically, in writing or in other tangible forms concerning how the Protected Parties create,

develop, acquire or maintain their products and marketing plans, target their potential customers and operate their retail and other businesses. The Protected Parties invested, and continue to invest, considerable amounts of time and money in their process, technology, know-how, obtaining and developing the goodwill of their customers, their other external relationships, their data systems and data bases, and all the information described above (hereinafter collectively referred to as "Confidential Information"), and any misappropriation or unauthorized disclosure of Confidential Information in any form would irreparably harm the Protected Parties. The Executive acknowledges that such Confidential Information constitutes valuable, highly confidential, special and unique property of the Protected Parties. The Executive shall hold in a fiduciary capacity for the benefit of the Protected Parties all Confidential Information relating to the Protected Parties and their businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or its affiliates and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). Except as required by law or an order of a court or governmental agency with jurisdiction, the Executive shall not, during the period the Executive is employed by the Company, its subsidiaries or its affiliates, or at any time thereafter disclose any Confidential Information, directly or indirectly, to any person or entity, nor shall the Executive use it in any way, except in the course of the Executive's employment with, and for the benefit of, the Protected Parties or to enforce any rights or defend any claims hereunder or under any other agreement to which the Executive is a party. provided that such disclosure is relevant to the enforcement of such rights or defense of such claims and is only disclosed in the formal proceedings related thereto. The Executive shall take all reasonable steps to safeguard the Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive understands and agrees that the Executive shall acquire no rights to any such Confidential Information.

(b) All files, records, documents, drawings, specifications, data, computer programs, evaluation mechanisms and analytics and similar items relating thereto or to the Business, as well as all customer lists, specific customer information, compilations of product research and marketing techniques of the Company and its affiliates, whether prepared by the Executive or otherwise coming into the Executive's possession, shall remain the exclusive property of the Company, its subsidiaries and its affiliates, and the Executive shall not remove any such items from the premises of the Company, its subsidiaries and its affiliates, except in furtherance of the Executive's duties under any employment agreement.

(c) It is understood that while employed by the Company, its subsidiaries or its affiliates, the Executive shall promptly disclose to it, and assign to it the Executive's interest in any invention, improvement or discovery made or conceived by the Executive, either alone or jointly with others, which arises out of the Executive's employment. At the Company's request and expense, the Executive shall assist the Company, its subsidiaries and its affiliates during the period of the Executive's employment by the Company, its subsidiaries and its affiliates and thereafter in connection with any controversy or legal proceeding relating to such invention, improvement or discovery and in obtaining domestic and foreign patent or other protection covering the same.

(d) As requested by the Company and at the Company's expense, from time to time and upon the termination of the Executive's employment with the Company for any reason, the Executive shall promptly deliver to the Company, its subsidiaries and its affiliates all copies and embodiments, in whatever form, of all Confidential Information in the Executive's possession or within the Executive's control (including, but not limited to, memoranda, records, notes, plans, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes,

tapes and all other materials containing any Confidential Information) irrespective of the location or form of such material. If requested by the Company, the Executive shall provide the Company with written confirmation that all such materials have been delivered to the Company as provided herein.

(e) The Executive understands that nothing contained in this Agreement limits the Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each, a "Government Agency"). The Executive further understands that this Agreement does not limit the Executive's ability to communicate with any Government Agency, including to report possible violations of federal law or regulation or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

(f) This Agreement does not limit the Executive's right to receive an award for information provided to any Government Agency. The Executive will not be criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that

(i) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

6.2 Non-Solicitation or Hire. During the Term and for the "Restricted Period" (as defined below) following the termination of the Executive's employment for any reason, the Executive shall not directly or indirectly solicit or attempt to solicit or induce, directly or indirectly,

(a) any supplier, vendor or service provider to the Company, its subsidiaries or its affiliates to terminate, reduce or alter negatively its relationship with the Company, its subsidiaries or its affiliates or in any manner interfere with any agreement or contract between the Company, its subsidiaries or its affiliates and such supplier, vendor or service provider; or (b) any employee of the Company, its subsidiaries or its affiliates or any person who was an employee of the Company, its subsidiaries or its affiliates during the twelve (12) month period immediately prior to the date the Executive's employment terminates to terminate such employee's employment relationship with the Protected Parties in order, in either case, to enter into a similar relationship with the Executive, or any other person or any entity in competition with the Business.

For the purposes of this Agreement, "Restricted Period" means a period equal to the period of severance under Section 5.3 (a).

6.3 Non-Competition. During the Term and for the Restricted Period following the termination of the Executive's employment (for any reason), the Executive shall not, whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, other than on behalf of the Company, its subsidiaries or its affiliates, organize, establish, own, operate, manage, control, engage in, participate in, invest in, permit the Executive's name to be used by, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or business organization), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise

which engages or proposes to engage in any business conducted by the Company, its subsidiaries or its affiliates on the Termination Date or within twelve (12) months of the Executive's termination of employment in the geographic locations where the Company, its subsidiaries or its affiliates engage or, to the Executive's knowledge, propose to engage in such business (the "Business"). Notwithstanding the foregoing, nothing in this Agreement shall prevent the Executive from owning for passive investment purposes not intended to circumvent this Agreement, less than five percent (5%) of the publicly traded common equity securities of any company engaged in the Business (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, manager, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

6.4 Property. The Executive acknowledges that all originals and copies of materials, records and documents generated by the Executive or coming into the Executive's possession during the Executive's employment by the Company, its subsidiaries or its affiliates are the sole property of the Company, its subsidiaries and its affiliates ("Company Property"). During the Term, and at all times thereafter, the Executive shall not remove, or cause to be removed, from the premises of the Company, its subsidiaries or its affiliates copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of the Company, its subsidiaries or its affiliates, except in furtherance of the Executive's duties under this Agreement. When the Executive's employment with the Company terminates, or upon request of the Company at any time, the Executive shall promptly deliver to the Company all copies of Company Property in the Executive's possession or control.

6.5 Nondisparagement. The Executive agrees that the Executive shall not at any time (whether during or after the Term) publish or communicate to any person or entity any "Disparaging" (as defined below) remarks, comments or statements concerning the Company, Cerberus Capital Management, L.P., their parents, subsidiaries and affiliates, and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

7. Remedies; Specific Performance. The Company and the Executive acknowledge and agree that the Executive's breach or threatened breach of any of the restrictions set forth in Section 6 shall result in irreparable and continuing damage to the Protected Parties for which there may be no adequate remedy at law and that the Protected Parties shall be entitled to equitable relief, including specific performance and injunctive relief as remedies for any such breach or threatened or attempted breach. The Executive hereby consents to the grant of an injunction (temporary or otherwise) against the Executive or the entry of any other court order against the Executive prohibiting and enjoining the Executive from violating, or directing the Executive to comply with any provision of Section 6. The Executive also agrees that such remedies shall be in addition to any and all remedies, including damages, available to the Protected Parties against the Executive for such breaches or threatened or attempted breaches. In addition, without limiting the Protected Parties' remedies for any breach of any restriction on the Executive set forth in Section 6, except as required by law, the Executive shall not be entitled to any Severance Benefits if the Executive has breached the covenants applicable to the Executive contained in Section 6, the Executive shall immediately return to the Protected

Parties any such Severance Benefits previously received, upon such a breach, and, in the event of such breach, the Protected Parties shall have no obligation to pay any of the amounts that remain payable by the Company under Section 5.3.

8. Indemnification. The Company agrees, to the extent permitted by applicable law and its organizational documents, to indemnify, defend and hold harmless the Executive from and against any and all losses, suits, actions, causes of action, judgments, damages, liabilities, penalties, fines, costs or claims of any kind or nature ("Indemnified Claim"), including reasonable legal fees and related costs incurred by the Executive in connection with the preparation for or defense of any Indemnified Claim, whether or not resulting in any liability, to which the Executive may become subject or liable or which may be incurred by or assessed against the Executive, relating to or arising out of the Executive's employment by the Company or the services to be performed pursuant to this Agreement, provided that the Company shall only defend, but not

indemnify or hold the Executive harmless, from and against ~~an~~ Indemnified Claim in the event there is a final, non-appealable, determination that the Executive's liability with respect to such Indemnified Claim resulted from the Executive's willful misconduct or gross negligence. The Company's obligations under this section shall be in addition to any other right, remedy or indemnification which the Executive may have or be entitled to at common law or otherwise.

9. Other Provisions.

9.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid or overnight mail and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing or one (1) day after overnight mail, as follows:

(a) If the Company, to:

Albertsons Companies, Inc. Attention: Andrew J. Scoggin Telephone: (208) 395-5785

(b) If the Executive, to the Executive's home address reflected in the Company's records.

9.2 Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto, including, without limitation, the Prior Employment Agreement. In addition, effective as of the Effective Date, the Employment Agreement among the Executive, the Company and Albertsons Companies, Inc., dated September 21, 2015, to be effective upon the date of the consummation of the Restructuring (as defined therein), is void *ab initio*.

9.3 Limitation on Payments and Benefits. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would

be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, but for the application of this sentence, then the payments and benefits to be paid or provided

under this Agreement shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment: provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence shall be made at the expense of the Company by the Company's independent accountant. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 9.3 shall not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 9.3, cash Severance Benefits payable hereunder shall be reduced first, then other cash payments that qualify as Excess Parachute Payments payable to the Executive, then non-cash benefits shall be reduced, as determined by the Company.

9.4 Representations and Warranties by the Executive. The Executive represents and warrants that the Executive is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform the Executive's obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

9.5 Waiver and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.6 Section 409A. The Company and the Executive intend that the payments and benefits provided for in this Agreement either be exempt from Section 409A of the Code, or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted so as to be consistent with the intent of this Section 9.6. Notwithstanding anything contained herein to the contrary, to the extent that any Severance Benefits constitute "nonqualified deferred compensation" subject to Section 409A of the Code, all such Severance Benefits shall be paid or provided only upon the Executive's "separation from service" within the meaning of Section 409A of the Code and the regulations and guidance promulgated thereunder (determined after applying the presumptions set forth in Treas. Reg. Section 1.409A-1(h)(1)). Further, if as of the Executive's Termination Date, the Executive is a "specified employee" as defined in Section 409A of the Code as determined by the Company in accordance with Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company shall defer

the commencement of the payment of any such payments or benefits hereunder (without any reduction in payments or benefits ultimately paid or provided to the Executive) until the date that is at least six (6) months following the Executive's Termination Date (or the earliest date permitted under Section 409A of the Code), whereupon the Company shall pay the Executive a lump-sum amount equal to the cumulative amounts that would have otherwise been previously paid to the Executive under this Agreement during the period in which such payments or benefits were deferred. Thereafter, payments shall resume in accordance with this Agreement.

Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any calendar year shall not affect in-kind benefits or reimbursements to be provided in any other calendar year, other than an arrangement providing for the reimbursement of medical expenses referred to in Section 10S(b) of the Code, and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by the Executive and, if timely submitted, reimbursement payments shall be promptly made to the Executive following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall the Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to the Executive.

Additionally, in the event that following the date hereof the Company or the Executive reasonably determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code, the Company and the Executive shall work together to adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other commercially reasonable actions necessary or appropriate to (x) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (y) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

9.7 Governing Law, Dispute Resolution and Venue. This Agreement shall be governed and construed in accordance with the laws of the State of Idaho applicable to agreements made and not to be performed entirely within such state, without regard to conflicts of laws principles.

9.8 Assignability by the Company and the Executive. This Agreement, and the rights and obligations hereunder, may not be assigned by the Company or the Executive without written consent signed by the other Party; provided that the Company may assign this Agreement to any successor that continues the business of the Company.

9.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

9.10 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

9.11 Severability. If any term, provision, covenant or restriction of this Agreement, or any part thereof, is held by a court of competent jurisdiction of any foreign, federal, state, county or local government or any other governmental, regulatory or administrative agency or authority to be invalid, void, unenforceable or against public policy for any reason, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected or impaired or invalidated. The Executive acknowledges that the restrictive covenants contained in Section 6 are a condition of this Agreement and are reasonable and valid in temporal scope and in all other respects.

9.12 Judicial Modification. If any court determines that any of the covenants in Section 6, or any part of any of them, is invalid or unenforceable, the remainder of such covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court determines that any of such covenants, or any part thereof, is invalid or unenforceable because of the geographic or temporal scope of such provision, such court shall reduce such scope to the minimum extent necessary to make such covenants valid and enforceable.

9.13 Tax Withholding. The Company or other payor is authorized to withhold from any benefit provided or payment due hereunder, the amount of withholding taxes due any federal, state or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Board to satisfy all obligations for the payment of such withholding taxes.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

EXECUTIVE

By: /s/ Robert Dimond

Robert Dimond

ALBERTSONS COMPANIES, INC.

By: /s/ Vivek Sankaran

Vivek Sankaran

President & Chief Executive Officer

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### Section 3: EX-10.2 (EXHIBIT 10.2)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT THIS AMENDED AND

RESTATED EMPLOYMENT AGREEMENT (this

"Agreement"), dated as of May 1, 2019 (the "Effective Date"), between Albertsons Companies, Inc., a Delaware corporation (the "Company"), and Shane Sampson (the "Executive," and together with the Company, the "Parties").

WHEREAS, the Executive is currently employed by the Company or its affiliate pursuant to an Amended and Restated Employment Agreement, dated as of August 1, 2017 (the "Prior Employment Agreement"); and

WHEREAS, the Parties desire to amend and restate the Prior Employment Agreement to set forth the terms and conditions of the Executive's continued employment with the Company under this Agreement that will supersede the Prior Employment Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and other good and valuable consideration, the Parties agree to the following:

1. Employment and Acceptance. The Company shall continue to employ the Executive, and the Executive shall accept employment with the Company, subject to the terms of this Agreement effective on the Effective Date.

2. Term. Subject to earlier termination pursuant to Section 5 of this Agreement, this Agreement and the employment relationship hereunder shall continue from the Effective Date until January 30, 2023 (the "Term Date"). As used in this Agreement, the "Term" shall refer to the period beginning on the Effective Date and ending on the date the Executive's employment hereunder terminates in accordance with this Section 2 or Section 5. In the event that the Executive's employment with the Company terminates (such date, the "Termination Date") prior to the Term Date, the Company's obligation to continue to pay all base salary, as adjusted, bonus and other benefits then accrued shall terminate except as may be provided for in Section 5 of this Agreement.

3. Duties and Title.

3.1 Title. The Executive shall be employed to render exclusive and full-time services to the Company and its subsidiaries and affiliates. The Executive shall serve in the capacity of Executive Vice President & Chief Marketing and Merchandising Officer.

3.2 Duties. The Executive shall have such authority and responsibilities and shall perform such executive duties customarily performed by a similarly titled executive of a company in similar lines of business as the Company, its subsidiaries and its affiliates or as may be assigned to the Executive by the Chief Executive Officer of the Company (the "CEO"). The Executive shall devote all of the Executive's full working-time and best efforts to the performance of such duties and to the promotion of the business and interests of the Company, its subsidiaries and its affiliates. Notwithstanding the foregoing, during the

Term, subject to disclosure to, and approval by, the Board of Directors of the Company (the "Board") or the CEO, the Executive may (a) continue to serve on any boards of directors upon which the Executive

serves as of the Effective Date, and (b) serve on other corporate, industry, civic or charitable boards and committees, provided that with respect to (a) and (b), (x) such activities, in the Board's or CEO's discretion, do not materially interfere with and are not inconsistent with the Executive's performance of the Executive's duties under this Agreement and (y) any such entity does not engage in the "Business" (as defined below).

#### 4. Compensation and Benefits by the Company.

4.1 Base Salary. During the Term, the Company shall pay to the Executive an annual base salary of \$900,000, payable in accordance with the customary payroll practices of the Company ("Base Salary"). The Executive shall be entitled to such increases, if any, in Base Salary as may be determined from time to time by the Board or the compensation committee of the Board (the "Compensation Committee").

4.2 Bonuses. During the Term, the Executive shall be eligible to receive a bonus or bonuses (collectively, the "Bonus") for each fiscal year of the Company subject to a plan (or plans) established by the Company (the "Bonus Plan") in an amount determined by the Board (or the Compensation Committee) based upon achievement of performance measures derived from the business plan presented by management and approved by the Board (or the Compensation Committee). The target amount of the Executive's Bonus for each fiscal year shall be 100% of the Base Salary (the "Target Bonus"). If such performance measures are only partially achieved or not achieved, the Executive shall only be entitled to such Bonus, if any, as provided under the applicable Bonus Plan or as otherwise determined in the sole discretion of the Board (or the Compensation Committee).

4.3 Participation in Employee Benefit Plans. The Executive shall be entitled, if and to the extent eligible, to participate in all of the applicable benefit plans of the Company or its affiliates, which may be available to other senior executives of the Company, on the same terms as such other executives. The Company or its affiliates may at any time or from time to time amend, modify, suspend or terminate any employee benefit plan, program or arrangement for any reason without the Executive's consent if such amendment, modification, suspension or termination is consistent with the amendment, modification, suspension or termination for other similarly-situated employees of the Company and its affiliates.

4.4 Expense Reimbursement. The Executive shall be entitled to receive reimbursement for all of the Executive's appropriate business expenses incurred in connection with the Executive's duties under this Agreement in accordance with the policies of the Company as in effect from time to time, as well as reimbursement for the costs incurred by the Executive in connection with the preparation of the Executive's applicable tax returns, up to a maximum of \$8,000 annually.

#### 5. Termination of Employment.

5.1 By the Company for Cause or by the Executive Without Good Reason. If: (i) the Company terminates the Executive's employment with the Company for "Cause" (as defined below); or (ii) the Executive voluntarily terminates the Executive's employment without "Good Reason" (as defined below), the Executive shall be entitled to receive the following:

(a) payment for accrued but unused vacation days, payable in accordance with Company policy;

(b) the Executive's accrued but unpaid Base Salary and vested benefits, if any, through the Termination Date;

(c) the earned but unpaid portion of any Bonus earned in respect of any completed performance period prior to the Termination Date; and

(d) expenses reimbursable under Section 4.4 incurred but not yet reimbursed to the Executive through the Termination Date (Sections 5.1(a), 5.1(b), 5.1(c) and 5.1(d), collectively, the "Accrued Benefits").

For the purposes of this Agreement, "Cause" means, as determined by the Board (or its designee), with respect to conduct during the Executive's employment with the Company, whether or not committed during the Term, (i) conviction of a felony by the Executive; (ii) acts of intentional dishonesty by the Executive resulting or intending to result in personal gain or enrichment at the expense of the Company, its subsidiaries or its affiliates; (iii) the Executive's material breach of the Executive's obligations under this Agreement; (iv) conduct by the Executive in connection with the Executive's duties hereunder that is fraudulent, unlawful or grossly negligent; (v) engaging in personal conduct by the Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Company, its subsidiaries or its affiliates; (vi) contravention of specific lawful direction from the Board or (vii) breach of the Executive's covenants set forth in Section 6 below before termination of employment. The Executive shall have fifteen (15) business days after notice from the Company to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately (or on such other date set forth by the Company).

For the purposes of this Agreement, "Good Reason" means the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause, for such termination exists or has occurred): (i) a reduction in the Executive's Base Salary or Target Bonus, provided that, the Company may at any time or from time to time amend, modify, suspend or terminate any bonus, incentive compensation or other benefit plan or program provided to the Executive for any reason and without the Executive's consent if such modification, suspension or termination (x) is a result of the underperformance of the Company under its business plan, or (y) is consistent with an "across the board" reduction for all senior executives of the Company, and, in each case, is undertaken in the Board's reasonable business judgment, acting in good faith, and engaging in fair dealing with the Executive; or (ii) without the Executive's prior written consent, relocation of the Executive's principal location of work to any location that is in excess of fifty (50) miles from the location thereof on the Effective Date.

The Company shall have fifteen (15) business days after receipt from the Executive of a written notice specifying the deficiency to cure the deficiency that would result in Good Reason.

5.2 Due to Death or Disability. If either: (a) the Executive's employment terminates due to the Executive's death; or (b) the Company terminates the Executive's employment with the Company due to the Executive's "Disability" (as defined below), the Executive or the Executive's beneficiaries (in the case of the Executive's death), shall be entitled to receive (i) the Accrued Benefits and (ii) subject to Section 5.4, a lump sum payment in an amount equal twenty-five percent to (25%) of the Executive's then Base Salary.

For the purposes of this Agreement, "Disability" means a determination by the Company in accordance with applicable law that as a result of a physical or mental injury or illness, the Executive is unable to perform the essential functions of the Executive's job with or without reasonable accommodation for a period of (i) ninety (90) consecutive days; or (ii) one hundred eighty (180) days in any one (1) year period.

The Company shall have no obligation to provide the benefits set forth above (other than the Accrued Benefits) in the event that the Executive breaches the provisions of Section 6.

5.3 By the Company Without Cause or By the Executive for Good Reason. If the Company terminates the Executive's employment without Cause or the Executive voluntarily terminates the Executive's employment for Good Reason, the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 5.4:

(a) a lump sum payment in an amount equal to two hundred percent (200%) of the sum of (i) the Base Salary, plus (ii) the Target Bonus, each based on the then Base Salary; and

(b) reimbursement on a monthly basis of the cost of continuation coverage of group health coverage (including family coverage) for twelve (12) months: provided that the Executive elects continuation coverage under a policy, plan, program or arrangement of the Company or its affiliate pursuant to COBRA. The twelve (12) month period shall include, and run concurrently with, the maximum continuation coverage period pursuant to COBRA. If, and to the extent, that any benefit described in this Section 5.3(c) cannot be paid or provided under any policy, plan, program or arrangement of the Company, then the Company itself shall pay or provide for the payment to the Executive, the Executive's dependents, eligible family members and beneficiaries, of such benefits, along with, in the case of any benefit described in this Section 5.3(c) which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company, an additional amount such that after payment by the Executive, or the Executive's dependents, eligible family members or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, benefits under this Section 5.3(c) shall cease when the Executive is covered under another group health plan.

5.4 Continued Compliance and Release. The Company shall have no obligation to provide the payments and benefits provided in Section 5.2 and Section 5.3 (other than the Accrued Benefits) (the "Severance Benefits") in the event (a) the Executive breaches the provisions of Section 6 of this Agreement and (b) unless the Executive signs, and does not revoke, a valid release agreement

in a form reasonably acceptable to the Company (the "Release"), not later than sixty (60) days following the Termination Date. If the Severance Benefits are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such Severance Benefits shall begin (or be paid, as applicable) on the first pay period following the date that is sixty (60) days after the Termination Date. If the Severance Benefits are not otherwise subject to Section 409A of the Code, they shall begin (or be paid, as applicable) on the first pay period after the Release becomes effective.

5.5 No Mitigation. The obligations of the Company to the Executive which arise upon the termination of the Executive's employment pursuant to this Section 5 shall not be subject to mitigation or offset.

5.6 Removal from any Boards and Position. If the Executive's employment is terminated for any reason under this Agreement, the Executive shall be deemed to resign (i) if a member, from the Board or board of directors of any subsidiary or affiliate of the Company or any other board to which the Executive has been appointed or nominated by or on behalf of the Company and (ii) from any position with the Company or any subsidiary or affiliate of the Company, including, but not limited to, as an officer of the Company and any of its subsidiaries.

5.7 Continued Employment Beyond the Expiration of the Term. Unless the Company and the Executive otherwise agree in writing, continuation of the Executive's employment with the Company beyond the expiration of the Term shall be deemed an employment at-will and shall not be deemed to extend any of the provisions of this Agreement and the Executive's employment may thereafter be terminated at will by either the Executive or the Company; provided that Sections 6, 7, 8, 9.7 and 9.12 of this Agreement shall survive any termination of this Agreement or the termination of the Executive's employment hereunder.

6. Restrictions and Obligations of the Executive.

6.1 Confidentiality.

(a) During the course of the Executive's employment by the Company and its affiliates (prior to, during, and if applicable, after, the Term), the Executive has had and shall have access to certain trade secrets and confidential information relating to the Company, its subsidiaries and its affiliates (the "Protected Parties") which is not readily available from sources outside the Protected Parties. The confidential and proprietary information and, in any material respect, trade secrets of the Protected Parties are among their most valuable assets, including but not limited to, their customer, supplier and vendor lists, databases, competitive strategies, computer programs, frameworks, or models, their marketing programs, their sales, financial, marketing, training and technical information, their product development (and proprietary product data) and any other information, whether communicated orally, electronically, in writing or in other tangible forms concerning how the Protected Parties create, develop, acquire or maintain their products and marketing plans, target their potential customers and operate their retail and other businesses. The Protected Parties invested, and continue to invest, considerable amounts of time and money in their process, technology, know-how, obtaining and developing the goodwill of their customers, their other external relationships, their data systems and data bases, and all the information described above (hereinafter collectively referred to as "Confidential Information"), and any misappropriation or unauthorized disclosure of Confidential Information in any form would irreparably harm the Protected Parties. The Executive acknowledges that such Confidential

Information constitutes valuable, highly confidential, special and unique property of the Protected Parties. The Executive shall hold in a fiduciary capacity for the benefit of the Protected Parties all Confidential Information relating to the Protected Parties and their businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or its affiliates and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). Except as required by law or an order of a court or governmental agency with jurisdiction, the Executive shall not, during the period the Executive is employed by the Company, its subsidiaries or its affiliates, or at any time thereafter disclose any Confidential Information, directly or indirectly, to any person or entity, nor shall the Executive use it in any way, except in the course of the Executive's employment with, and for the benefit of, the Protected Parties or to enforce any rights or defend any claims hereunder or under any other agreement to which the Executive is a party, provided that such disclosure is relevant to the enforcement of such rights or defense of such claims and is only disclosed in the formal proceedings related thereto. The Executive shall take all reasonable steps to safeguard the Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive understands and agrees that the Executive shall acquire no rights to any such Confidential Information.

(b) All files, records, documents, drawings, specifications, data, computer programs, evaluation mechanisms and analytics and similar items relating thereto or to the Business, as well as all customer lists, specific customer information, compilations of product research and marketing techniques of the Company and its affiliates, whether prepared by the Executive or otherwise coming into the Executive's possession, shall remain the exclusive property of the Company, its subsidiaries and its affiliates, and the Executive shall not remove any such items from the premises of the Company, its subsidiaries and its affiliates, except in furtherance of the Executive's duties under any employment agreement.

(c) It is understood that while employed by the Company, its subsidiaries or its affiliates, the Executive shall promptly disclose to it, and assign to it the Executive's interest in any invention, improvement or discovery made or conceived by the Executive, either alone or jointly with others, which arises out of the Executive's employment. At the Company's request and expense, the Executive shall assist the Company, its subsidiaries and its affiliates during the period of the Executive's employment by the Company, its subsidiaries and its affiliates and thereafter in connection with any controversy or legal proceeding relating to such invention, improvement or discovery and in obtaining domestic and foreign patent or other protection covering the same.

(d) As requested by the Company and at the Company's expense, from time to time and upon the termination of the Executive's employment with the Company for any reason, the Executive shall promptly deliver to the Company, its subsidiaries and its affiliates all copies and embodiments, in whatever form, of all Confidential Information in the Executive's possession or within the Executive's control (including, but not limited to, memoranda, records, notes, plans, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information) irrespective of the location or form of such material. If requested by the Company, the

Executive shall provide the Company with written confirmation that all such materials have been delivered to the Company as provided herein.

(e) The Executive understands that nothing contained in this Agreement limits the Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each, a "Government Agency"). The Executive further understands that this Agreement does not limit the Executive's ability to communicate with any Government Agency, including to report possible violations of federal law or regulation or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

(t) This Agreement does not limit the Executive's right to receive an award for information provided to any Government Agency. The Executive will not be criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

6.2 Non-Solicitation or Hire. During the Term and for the "Restricted Period" (as defined below) following the termination of the Executive's employment for any reason, the Executive shall not directly or indirectly solicit or attempt to solicit or induce, directly or indirectly, (a) any supplier, vendor or service provider to the Company, its subsidiaries or its affiliates to terminate, reduce or alter negatively its relationship with the Company, its subsidiaries or its affiliates or in any manner interfere with any agreement or contract between the Company, its subsidiaries or its affiliates and such supplier, vendor or service provider; or (b) any employee of the Company, its subsidiaries or its affiliates or any person who was an employee of the Company, its subsidiaries or its affiliates during the twelve (12) month period immediately prior to the date the Executive's employment terminates to terminate such employee's employment relationship with the Protected Parties in order, in either case, to enter into a similar relationship with the Executive, or any other person or any entity in competition with the Business.

For the purposes of this Agreement, "Restricted Period" means a period equal to the period of severance under Section 5.3(a).

6.3 Non-Competition. During the Term and for the Restricted Period following the termination of the Executive's employment (for any reason), the Executive shall not, whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, other than on behalf of the Company, its subsidiaries or its affiliates, organize, establish, own, operate, manage, control, engage in, participate in, invest in, permit the Executive's name to be used by, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or business organization), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise which engages or proposes to engage in any business conducted by the

Company, its subsidiaries or its affiliates on the Termination Date or within twelve (12) months of the Executive's termination of employment in the geographic locations where the Company, its subsidiaries or its affiliates engage or, to the Executive's knowledge, propose to engage in such business (the "Business"). Notwithstanding the foregoing, nothing in this Agreement shall prevent the Executive from owning for passive investment purposes not intended to circumvent this Agreement, less than five percent (5%) of the publicly traded common equity securities of any company engaged in the Business (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, manager, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

6.4 Property. The Executive acknowledges that all originals and copies of materials, records and documents generated by the Executive or coming into the Executive's possession during the Executive's employment by the Company, its subsidiaries or its affiliates are the sole property of the Company, its subsidiaries and its affiliates ("Company Property"). During the Term, and at all times thereafter, the Executive shall not remove, or cause to be removed, from the premises of the Company, its subsidiaries or its affiliates copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of the Company, its subsidiaries or its affiliates, except in furtherance of the Executive's duties under this Agreement. When the Executive's employment with the Company terminates, or upon request of the Company at any time, the Executive shall promptly deliver to the Company all copies of Company Property in the Executive's possession or control.

6.5 Nondisparagement. The Executive agrees that the Executive shall not at any time (whether during or after the Term) publish or communicate to any person or entity any "Disparaging" (as defined below) remarks, comments or statements concerning the Company, Cerberus Capital Management, L.P., their parents, subsidiaries and affiliates, and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

7. Remedies; Specific Performance. The Company and the Executive acknowledge and agree that the Executive's breach or threatened breach of any of the restrictions set forth in Section 6 shall result in irreparable and continuing damage to the Protected Parties for which there may be no adequate remedy at law and that the Protected Parties shall be entitled to equitable relief, including specific performance and injunctive relief as remedies for any such breach or threatened or attempted breach. The Executive hereby consents to the grant of an injunction (temporary or otherwise) against the Executive or the entry of any other court order against the Executive prohibiting and enjoining the Executive from violating, or directing the Executive to comply with any provision of Section 6. The Executive also agrees that such remedies shall be in addition to any and all remedies, including damages, available to the Protected Parties against the Executive for such breaches or threatened or attempted breaches. In addition, without limiting the Protected Parties' remedies for any breach of any restriction on the Executive set forth in Section 6, except as required by law, the Executive shall not be entitled to any Severance Benefits if the Executive has breached the covenants applicable

to the Executive contained in Section 6, the Executive shall immediately return to the Protected Parties any such Severance Benefits previously received, upon such a breach, and, in the event of such breach, the Protected Parties shall have no obligation to pay any of the amounts that remain payable by the Company under Section 5.3.

8. Indemnification. The Company agrees, to the extent permitted by applicable law and its organizational documents, to indemnify, defend and hold harmless the Executive from and against any and all losses, suits, actions, causes of action, judgments, damages, liabilities, penalties, fines, costs or claims of any kind or nature ("Indemnified Claim"), including reasonable legal fees and related costs incurred by the Executive in connection with the preparation for or defense of any Indemnified Claim, whether or not resulting in any liability, to which the Executive may become subject or liable or which may be incurred by or assessed against the Executive, relating to or arising out of the Executive's employment by the Company or the services to be performed pursuant to this Agreement. provided that the Company shall only defend, but not indemnify or hold the Executive harmless, from and against an Indemnified Claim in the event there is a final, non-appealable, determination that the Executive's liability with respect to such Indemnified Claim resulted from the Executive's willful misconduct or gross negligence. The Company's obligations under this section shall be in addition to any other right, remedy or indemnification which the Executive may have or be entitled to at common law or otherwise.

9. Other Provisions.

9.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid or overnight mail and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing or one (1) day after overnight mail, as follows:

(a) If the Company, to:

Albertsons Companies, Inc. Attention: Andrew J. Scoggin Telephone: (208) 395-5785

(b) If the Executive, to the Executive's home address reflected in the Company's records.

9.2 Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto, including, without limitation, the Prior Employment Agreement.

9.3 Limitation on Payments and Benefits. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would

result in an increase in the aggregate payment and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence shall be made at the expense of the Company by the Company's independent accountant. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 9.3 shall not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 9.3, cash Severance Benefits payable hereunder shall be reduced first, then other cash payments that qualify as Excess Parachute Payments payable to the Executive, then non-cash benefits shall be reduced, as determined by the Company.

9.4 Representations and Warranties by the Executive. The Executive represents and warrants that the Executive is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform the Executive's obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

9.5 Waiver and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.6 Section 409A. The Company and the Executive intend that the payments and benefits provided for in this Agreement either be exempt from Section 409A of the Code, or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted so as to be consistent with the intent of this Section 9.6. Notwithstanding anything contained herein to the contrary, to the extent that any Severance Benefits constitute "nonqualified deferred compensation" subject to Section 409A of the Code, all such Severance Benefits shall be paid or provided only upon the Executive's "separation from service" within the meaning of Section 409A of the Code and the regulations and guidance promulgated thereunder (determined after applying the presumptions set forth in Treas. Reg. Section 1.409A-1(h)(1)). Further, if as of the Executive's Termination Date, the Executive is a "specified employee" as defined in Section 409A of the Code as determined by the Company in accordance with Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company shall defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in payments or benefits ultimately paid or provided to the Executive) until the date that is at least six (6) months following the Executive's Termination Date (or the earliest date permitted under Section 409A of the Code), whereupon the Company shall pay the Executive a lump-sum amount equal to the cumulative amounts that would have otherwise been previously paid to the Executive under this

Agreement during the period in which such payments or benefits were deferred. Thereafter, payments shall resume in accordance with this Agreement.

Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any calendar year shall not affect in-kind benefits or reimbursements to be provided in any other calendar year, other than an arrangement providing for the reimbursement of medical expenses referred to in Section 105 (b) of the Code, and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by the Executive and, if timely submitted, reimbursement payments shall be promptly made to the Executive following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall the Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to the Executive.

Additionally, in the event that following the date hereof the Company or the Executive reasonably determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code, the Company and the Executive shall work together to adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other commercially reasonable actions necessary or appropriate to (x) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (y) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

9.7 Governing Law, Dispute Resolution and Venue. This Agreement shall be governed and construed in accordance with the laws of the State of Idaho applicable to agreements made and not to be performed entirely within such state, without regard to conflicts of laws principles.

9.8 Assignability by the Company and the Executive. This Agreement, and the rights and obligations hereunder, may not be assigned by the Company or the Executive without written consent signed by the other Party; provided that the Company may assign this Agreement to any successor that continues the business of the Company.

9.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

9.10 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

9.11 Severability. If any term, provision, covenant or restriction of this Agreement, or any part thereof, is held by a court of competent jurisdiction of any foreign, federal, state, county or local government or any other governmental, regulatory or administrative agency or authority to be invalid, void, unenforceable or against public policy for any reason, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and

shall in no way be affected or impaired or invalidated. The Executive acknowledges that the restrictive covenants contained in Section 6 are a condition of this Agreement and are reasonable and valid in temporal scope and in all other respects.

9.12 Judicial Modification. If any court determines that any of the covenants in Section 6, or any part of any of them, is invalid or unenforceable, the remainder of such covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court determines that any of such covenants, or any part thereof, is invalid or unenforceable because of the geographic or temporal scope of such provision, such court shall reduce such scope to the minimum extent necessary to make such covenants valid and enforceable.

9.13 Tax Withholding. The Company or other payor is authorized to withhold from any benefit provided or payment due hereunder, the amount of withholding taxes due any federal, state or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Board to satisfy all obligations for the payment of such withholding taxes.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

EXECUTIVE

By: /s/ Shane Sampson

\_\_\_\_\_  
Shane Sampson

ALBERTSONS COMPANIES, INC.

By: /s/ Vivek Sankaran

\_\_\_\_\_  
Vivek Sankaran

President & Chief Executive Officer

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## Section 4: EX-10.3 (EXHIBIT 10.3)

### AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), dated as of May 1, 2019 (the "Effective Date"), between Albertsons Companies, Inc., a Delaware corporation (the "Company"), and Anuj Dhanda (the "Executive," and together with the Company, the "Parties").

WHEREAS, the Executive is currently employed by the Company pursuant to an Amended and Restated Employment Agreement, dated as of August 1, 2017 (the "Prior Employment Agreement"); and

WHEREAS, the Parties desire to amend and restate the Prior Employment Agreement to set forth the terms and conditions of the Executive's continued employment with the Company under this Agreement that will supersede the Prior Employment Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and other good and valuable consideration, the Parties agree to the following:

1. Employment and Acceptance. The Company shall continue to employ the Executive, and the Executive shall accept employment with the Company, subject to the terms of this Agreement effective on the Effective Date.

2. Term. Subject to earlier termination pursuant to Section 5 of this Agreement, this Agreement and the employment relationship hereunder shall continue from the Effective Date until January 30, 2023 (the "Term Date"). As used in this Agreement, the "Term" shall refer to the period beginning on the Effective Date and ending on the date the Executive's employment hereunder terminates in accordance with this Section 2 or Section 5. In the event that the Executive's employment with the Company terminates (such date, the "Termination Date") prior to the Term Date, the Company's obligation to continue to pay all base salary, as adjusted, bonus and other benefits then accrued shall terminate except as may be provided for in Section 5 of this Agreement.

3. Duties and Title.

3.1 Title. The Executive shall be employed to render exclusive and full-time services to the Company and its subsidiaries and affiliates. The Executive shall serve in the capacity of Executive Vice President and Chief Information Officer.

3.2 Duties. The Executive shall have such authority and responsibilities and shall perform such executive duties customarily performed by a similarly titled executive of a company in similar lines of business as the Company, its subsidiaries and its affiliates or as may be assigned to the Executive by the Chief Executive Officer of the Company (the "CEO"). The Executive shall devote all of the Executive's full working-time and best efforts to the performance of such duties and to the promotion of the business and interests of the Company, its subsidiaries and its affiliates. Notwithstanding the foregoing, during the Term, subject to disclosure to, and approval by, the Board of Directors of the Company (the "Board") or the CEO, the Executive may (a) continue to serve on any boards of directors upon which the Executive serves as of the Effective Date, and (b) serve on other corporate, industry, civic or charitable boards and committees, provided that with respect to (a) and (b), (x) such activities, in the Board's or CEO's discretion, do not materially interfere with and are

not inconsistent with the Executive's performance of the Executive's duties under this Agreement and (y) any such entity does not engage in the "Business" (as defined below).

4. Compensation and Benefits by the Company.

4.1 Base Salary. During the Term, the Company shall pay to the Executive an annual base salary of \$700,000, payable in accordance with the customary payroll practices of the Company ("Base Salary"). The Executive shall be entitled to such increases, if any, in Base Salary as may be determined from time to time by the Board or the compensation committee of the Board (the "Compensation Committee").

4.2 Bonuses. During the Term, the Executive shall be eligible to receive a bonus or bonuses (collectively, the "Bonus") for each fiscal year of the Company subject to a plan (or plans) established by the Company (the "Bonus Plan") in an amount determined by the Board (or the Compensation Committee) based upon achievement of performance measures derived from the business plan presented by management and approved by the Board (or the Compensation Committee). The target amount of the Executive's Bonus for each fiscal year shall be 100% of the Base Salary (the "Target Bonus"). If such performance measures are only partially achieved or not achieved, the Executive shall only be entitled to such Bonus, if any, as provided under the applicable Bonus Plan or as otherwise determined in the sole discretion of the Board (or the Compensation Committee).

4.3 Participation in Employee Benefit Plans. The Executive shall be entitled, if and to the extent eligible, to participate in all of the applicable benefit plans of the Company or its affiliates, which may be available to other senior executives of the Company, on the same terms as such other executives. The Company or its affiliates may at any time or from time to time amend, modify, suspend or terminate any employee benefit plan, program or arrangement for any reason without the Executive's consent if such amendment, modification, suspension or termination is consistent with the amendment, modification, suspension or termination for other similarly-situated employees of the Company and its affiliates.

4.4 Expense Reimbursement. The Executive shall be entitled to receive reimbursement for all of the Executive's appropriate business expenses incurred in connection with the Executive's duties under this Agreement in accordance with the policies of the Company as in effect from time to time, as well as reimbursement for the costs incurred by the Executive in connection with the preparation of the Executive's applicable tax returns, up to a maximum of \$8,000 annually.

5. Termination of Employment.

5.1 By the Company for Cause or by the Executive Without Good Reason. If: (i) the Company terminates the Executive's employment with the Company for "Cause" (as defined below); or (ii) the Executive voluntarily terminates the Executive's employment without "Good Reason" (as defined below), the Executive shall be entitled to receive the following:

- (a) payment for accrued but unused vacation days, payable in accordance with Company policy;
- (b) the Executive's accrued but unpaid Base Salary and vested benefits, if any, through the

Termination Date;

(c) the earned but unpaid portion of any Bonus earned in respect of any completed performance period prior to the Termination Date; and

(d) expenses reimbursable under Section 4.4 incurred but not yet reimbursed to the Executive through the Termination Date (Sections 5.1(a), 5.1(b), 5.1(c) and 5.1(d), collectively, the "Accrued Benefits").

For the purposes of this Agreement, "Cause" means, as determined by the Board (or its designee), with respect to conduct during the Executive's employment with the Company, whether or not committed during the Term, (i) conviction of a felony by the Executive; (ii) acts of intentional dishonesty by the Executive resulting or intending to result in personal gain or enrichment at the expense of the Company, its subsidiaries or its affiliates; (iii) the Executive's material breach of the Executive's obligations under this Agreement; (iv) conduct by the Executive in connection with the Executive's duties hereunder that is fraudulent, unlawful or grossly negligent; (v) engaging in personal conduct by the Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Company, its subsidiaries or its affiliates; (vi) contravention of specific lawful direction from the Board or (vii) breach of the Executive's covenants set forth in Section 6 below before termination of employment. The Executive shall have fifteen (15) business days after notice from the Company to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately (or on such other date set forth by the Company).

For the purposes of this Agreement, "Good Reason" means the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause, for such termination exists or has occurred): (i) a reduction in the Executive's Base Salary or Target Bonus, provided that, the Company may at any time or from time to time amend, modify, suspend or terminate any bonus, incentive compensation or other benefit plan or program provided to the Executive for any reason and without the Executive's consent if such modification, suspension or termination (x) is a result of the underperformance of the Company under its business plan, or (y) is consistent with an "across the board" reduction for all senior executives of the Company, and, in each case, is undertaken in the Board's reasonable business judgment, acting in good faith, and engaging in fair dealing with the Executive; or (ii) without the Executive's prior written consent, relocation of the Executive's principal location of work to any location that is in excess of fifty (50) miles from the location thereof on the Effective Date.

The Company shall have fifteen (15) business days after receipt from the Executive of a written notice specifying the deficiency to cure the deficiency that would result in Good Reason.

5.2 Due to Death or Disability. If either: (a) the Executive's employment terminates due to the Executive's death; or (b) the Company terminates the Executive's employment with the Company due to the Executive's "Disability" (as defined below), the Executive or the Executive's beneficiaries (in the case of the Executive's death), shall be entitled to receive (i) the Accrued Benefits and (ii) subject to Section 5.4, a lump sum payment in an amount equal twenty-five percent (25%) of the Executive's then Base Salary. For the purposes of this Agreement, "Disability" means a determination by the Company in accordance with applicable law that as a result of a physical or mental injury or illness, the Executive is unable to perform the essential functions of the Executive's job with or without reasonable accommodation for a period of (i) ninety (90) consecutive days; or (ii) one hundred eighty (180) days in any one (1) year period.

The Company shall have no obligation to provide the benefits set forth above (other than the Accrued Benefits) in the event that the Executive breaches the provisions of Section 6.

5.3 By the Company Without Cause or By the Executive for Good Reason. If the Company terminates the Executive's employment without Cause or the Executive voluntarily terminates the Executive's employment for Good Reason, the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 5.4:

(a) a lump sum payment in an amount equal to two hundred percent (200%) of the sum of (i) the Base Salary, plus (ii) the Target Bonus, each based on the then Base Salary; and

(b) reimbursement on a monthly basis of the cost of continuation coverage of group health coverage (including family coverage) for twelve (12) months; provided that the Executive elects continuation coverage under a policy, plan, program or arrangement of the Company or its affiliate pursuant to COBRA. The twelve (12) month period shall include, and run concurrently with, the maximum continuation coverage period pursuant to COBRA. If, and to the extent, that any benefit described in this Section 5.3(c) cannot be paid or provided under any policy, plan, program or arrangement of the Company, then the Company itself shall pay or provide for the payment to the Executive, the Executive's dependents, eligible family members and beneficiaries, of such benefits, along with, in the case of any benefit described in this Section 5.3(c) which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company, an additional amount such that after payment by the Executive, or the Executive's dependents, eligible family members or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, benefits under this Section 5.3(c) shall cease when the Executive is covered under another group health plan.

5.4 Continued Compliance and Release. The Company shall have no obligation to provide the payments and benefits provided in Section 5.2 and Section 5.3 (other than the Accrued Benefits) (the "Severance Benefits") in the event (a) the Executive breaches the provisions of Section 6 of this Agreement and (b) unless the Executive signs, and does not revoke, a valid release agreement in a form reasonably acceptable to the Company (the "Release"), not later than sixty (60) days following the Termination Date. If the Severance Benefits are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such Severance Benefits shall begin (or be paid, as applicable) on the first pay period following the date that is sixty (60) days after the Termination Date. If the Severance Benefits are not otherwise subject to Section 409A of the Code, they shall begin (or be paid, as applicable) on the first pay period after the Release becomes effective.

5.5 No Mitigation. The obligations of the Company to the Executive which arise upon the termination of the Executive's employment pursuant to this Section 5 shall not be subject to mitigation or offset.

5.6 Removal from any Boards and Position. If the Executive's employment is terminated for any reason under this Agreement, the Executive shall be deemed to resign (i) if a member, from the Board or board of directors of any subsidiary or affiliate of the Company or any other board to which the Executive has been appointed or nominated by or on behalf of the Company and (ii) from any position with the Company or any subsidiary or affiliate of the Company, including, but not limited to, as an officer of the Company and any of its subsidiaries.

5.7 Continued Employment Beyond the Expiration of the Term. Unless the Company and the Executive otherwise agree in writing, continuation of the Executive's employment

with the Company beyond the expiration of the Term shall be deemed an employment at-will and shall not be deemed to extend any of the provisions of this Agreement and the Executive's employment may thereafter be terminated at will by either the Executive or the Company; provided that Sections 6, 7, 8, 9.7 and 9.12 of this Agreement shall survive any termination of this Agreement or the termination of the Executive's employment hereunder.

6. Restrictions and Obligations of the Executive.

6.1 Confidentiality.

(a) During the course of the Executive's employment by the Company and its affiliates (prior to, during, and if applicable, after, the Term), the Executive has had and shall have access to certain trade secrets and confidential information relating to the Company, its subsidiaries and its affiliates (the "Protected Parties") which is not readily available from sources outside the Protected Parties. The confidential and proprietary information and, in any material respect, trade secrets of the Protected Parties are among their most valuable assets, including but not limited to, their customer, supplier and vendor lists, databases, competitive strategies, computer programs, frameworks, or models, their marketing programs, their sales, financial, marketing, training and technical information, their product development (and proprietary product data) and any other information, whether communicated orally, electronically, in writing or in other tangible forms concerning how the Protected Parties create, develop, acquire or maintain their products and marketing plans, target their potential customers and operate their retail and other businesses. The Protected Parties invested, and continue to invest, considerable amounts of time and money in their process, technology, know-how, obtaining and developing the goodwill of their customers, their other external relationships, their data systems and data bases, and all the information described above (hereinafter collectively referred to as "Confidential Information"), and any misappropriation or unauthorized disclosure of Confidential Information in any form would irreparably harm the Protected Parties. The Executive acknowledges that such Confidential Information constitutes valuable, highly confidential, special and unique property of the Protected Parties. The Executive shall hold in a fiduciary capacity for the benefit of the Protected Parties all Confidential Information relating to the Protected Parties and their businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or its affiliates and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). Except as required by law or an order of a court or governmental agency with jurisdiction, the Executive shall not, during the period the Executive is employed by the Company, its subsidiaries or its affiliates, or at any time thereafter disclose any Confidential Information, directly or indirectly, to any person or entity, nor shall the Executive use it in any way, except in the course of the Executive's employment with, and for the benefit of, the Protected Parties or to enforce any rights or defend any claims hereunder or under any other agreement to which the Executive is a party, provided that such disclosure is relevant to the enforcement of such rights or defense of such claims and is only disclosed in the formal proceedings related thereto. The Executive shall take all reasonable steps to safeguard the Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive understands and agrees that the Executive shall acquire no rights to any such Confidential Information.

(b) All files, records, documents, drawings, specifications, data, computer programs, evaluation mechanisms and analytics and similar items relating thereto or to the Business, as well as all customer lists, specific customer information, compilations of product research and marketing techniques of the Company and its affiliates, whether prepared by the Executive or otherwise coming into the Executive's possession, shall remain the exclusive property

of the Company, its subsidiaries and its affiliates, and the Executive shall not remove any such items from the premises of the Company, its subsidiaries and its affiliates, except in furtherance of the Executive's duties under any employment agreement.

(c) It is understood that while employed by the Company, its subsidiaries or its affiliates, the Executive shall promptly disclose to it, and assign to it the Executive's interest in any invention, improvement or discovery made or conceived by the Executive, either alone or jointly with others, which arises out of the Executive's employment. At the Company's request and expense, the Executive shall assist the Company, its subsidiaries and its affiliates during the period of the Executive's employment by the Company, its subsidiaries and its affiliates and thereafter in connection with any controversy or legal proceeding relating to such invention, improvement or discovery and in obtaining domestic and foreign patent or other protection covering the same.

(d) As requested by the Company and at the Company's expense, from time to time and upon the termination of the Executive's employment with the Company for any reason, the Executive shall promptly deliver to the Company, its subsidiaries and its affiliates all copies and embodiments, in whatever form, of all Confidential Information in the Executive's possession or within the Executive's control (including, but not limited to, memoranda, records, notes, plans, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information) irrespective of the location or form of such material. If requested by the Company, the Executive shall provide the Company with written confirmation that all such materials have been delivered to the Company as provided herein.

(e) The Executive understands that nothing contained in this Agreement limits the Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each, a "Government Agency"). The Executive further understands that this Agreement does not limit the Executive's ability to communicate with any Government Agency, including to report possible violations of federal law or regulation or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

(f) This Agreement does not limit the Executive's right to receive an award for information provided to any Government Agency. The Executive will not be criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

6.2 Non-Solicitation or Hire. During the Term and for the "Restricted Period" (as defined below) following the termination of the Executive's employment for any reason, the Executive shall not directly or indirectly solicit or attempt to solicit or induce, directly or indirectly, (a) any supplier, vendor or service provider to the Company, its subsidiaries or its affiliates to terminate, reduce or alter negatively its relationship with the Company, its subsidiaries or its affiliates or in any manner interfere with any agreement or contract between the Company, its subsidiaries or its affiliates and such supplier, vendor or service provider; or (b) any employee of the Company, its subsidiaries or its affiliates or any person who was an employee of the Company, its subsidiaries or its affiliates during the twelve (12)

month period immediately prior to the date the Executive's employment terminates to terminate such employee's employment relationship with the Protected Parties in order, in either case, to enter into a similar relationship with the Executive, or any other person or any entity in competition with the Business.

For the purposes of this Agreement, "Restricted Period" means a period equal to the period of severance under Section 5.3(a).

6.3 Non-Competition. During the Term and for the Restricted Period following the termination of the Executive's employment (for any reason), the Executive shall not, whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, other than on behalf of the Company, its subsidiaries or its affiliates, organize, establish, own, operate, manage, control, engage in, participate in, invest in, permit the Executive's name to be used by, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or business organization), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise which engages or proposes to engage in any business conducted by the Company, its subsidiaries or its affiliates on the Termination Date or within twelve (12) months of the Executive's termination of employment in the geographic locations where the Company, its subsidiaries or its affiliates engage or, to the Executive's knowledge, propose to engage in such business (the "Business"). Notwithstanding the foregoing, nothing in this Agreement shall prevent the Executive from owning for passive investment purposes not intended to circumvent this Agreement, less than five percent (5%) of the publicly traded common equity securities of any company engaged in the Business (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, manager, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

6.4 Property. The Executive acknowledges that all originals and copies of materials, records and documents generated by the Executive or coming into the Executive's possession during the Executive's employment by the Company, its subsidiaries or its affiliates are the sole property of the Company, its subsidiaries and its affiliates ("Company Property"). During the Term, and at all times thereafter, the Executive shall not remove, or cause to be removed, from the premises of the Company, its subsidiaries or its affiliates copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of the Company, its subsidiaries or its affiliates, except in furtherance of the Executive's duties under this Agreement. When the Executive's employment with the Company terminates, or upon request of the Company at any time, the Executive shall promptly deliver to the Company all copies of Company Property in the Executive's possession or control.

6.5 Nondisparagement. The Executive agrees that the Executive shall not at any time (whether during or after the Term) publish or communicate to any person or entity any "Disparaging" (as defined below) remarks, comments or statements concerning the Company, Cerberus Capital Management, L.P., their parents, subsidiaries and affiliates, and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

7. Remedies; Specific Performance. The Company and the Executive acknowledge and agree that the Executive's breach or threatened breach of any of the restrictions set forth in Section 6 shall result in irreparable and continuing damage to the Protected Parties for which there may be no adequate remedy at law and that the Protected Parties shall be entitled to equitable relief, including specific performance and injunctive relief as remedies for any such breach or threatened or attempted breach. The Executive hereby consents to the grant of an injunction (temporary or otherwise) against the Executive or the entry of any other court order against the Executive prohibiting and enjoining the Executive from violating, or directing the Executive to comply with any provision of Section 6. The Executive also agrees that such remedies shall be in addition to any and all remedies, including damages, available to the Protected Parties against the Executive for such breaches or threatened or attempted breaches. In addition, without limiting the Protected Parties' remedies for any breach of any restriction on the Executive set forth in Section 6, except as required by law, the Executive shall not be entitled to any Severance Benefits if the Executive has breached the covenants applicable to the Executive contained in Section 6, the Executive shall immediately return to the Protected Parties any such Severance Benefits previously received, upon such a breach, and, in the event of such breach, the Protected Parties shall have no obligation to pay any of the amounts that remain payable by the Company under Section 5.3.

8. Indemnification. The Company agrees, to the extent permitted by applicable law and its organizational documents, to indemnify, defend and hold harmless the Executive from and against any and all losses, suits, actions, causes of action, judgments, damages, liabilities, penalties, fines, costs or claims of any kind or nature ("Indemnified Claim"), including reasonable legal fees and related costs incurred by the Executive in connection with the preparation for or defense of any Indemnified Claim, whether or not resulting in any liability, to which the Executive may become subject or liable or which may be incurred by or assessed against the Executive, relating to or arising out of the Executive's employment by the Company or the services to be performed pursuant to this Agreement, provided that the Company shall only defend, but not indemnify or hold the Executive harmless, from and against an Indemnified Claim in the event there is a final, non-appealable, determination that the Executive's liability with respect to such Indemnified Claim resulted from the Executive's willful misconduct or gross negligence. The Company's obligations under this section shall be in addition to any other right, remedy or indemnification which the Executive may have or be entitled to at common law or otherwise.

9. Other Provisions.

9.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid or overnight mail and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing or one (1) day after overnight mail, as follows:

(a) If the Company, to:

Albertsons Companies Inc. Attention: Andrew J. Scoggin Telephone: (208) 395-5785

(b) If the Executive, to the Executive's home address reflected in the

Company's records.

9.2 Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto, including, without limitation, the Prior Employment Agreement.

9.3 Limitation on Payments and Benefits. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence shall be made at the expense of the Company by the Company's independent accountant. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 9.3 shall not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 9.3, cash Severance Benefits payable hereunder shall be reduced first, then other cash payments that qualify as Excess Parachute Payments payable to the Executive, then non-cash benefits shall be reduced, as determined by the Company.

9.4 Representations and Warranties by the Executive. The Executive represents and warrants that the Executive is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform the Executive's obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

9.5 Waiver and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.6 Section 409A. The Company and the Executive intend that the payments and benefits provided for in this Agreement either be exempt from Section 409A of the Code, or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted so as to be consistent with the intent of this Section 9.6. Notwithstanding anything contained herein to the contrary, to the extent that any Severance Benefits constitute "nonqualified deferred compensation" subject to Section 409A of the Code, all such Severance Benefits shall be paid or provided only upon the Executive's "separation from service" within the meaning of Section

409A of the Code and the regulations and guidance promulgated thereunder (determined after applying the presumptions set forth in Treas. Reg. Section 1.409A **I(h)(I)**). Further, if as of the Executive's Termination Date, the Executive is a "specified employee" as defined in Section 409A of the Code as determined by the Company in accordance with Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company shall defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in payments or benefits ultimately paid or provided to the Executive) until the date that is at least six (6) months following the Executive's Termination Date (or the earliest date permitted under Section 409A of the Code), whereupon the Company shall pay the Executive a lump-sum amount equal to the cumulative amounts that would have otherwise been previously paid to the Executive under this Agreement during the period in which such payments or benefits were deferred. Thereafter, payments shall resume in accordance with this Agreement.

Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any calendar year shall not affect in-kind benefits or reimbursements to be provided in any other calendar year, other than an arrangement providing for the reimbursement of medical expenses referred to in Section 105 (b) of the Code, and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by the Executive and, if timely submitted, reimbursement payments shall be promptly made to the Executive following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall the Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to the Executive.

Additionally, in the event that following the date hereof the Company or the Executive reasonably determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code, the Company and the Executive shall work together to adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other commercially reasonable actions necessary or appropriate to (x) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (y) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

9.7 Governing Law, Dispute Resolution and Venue. This Agreement shall be governed and construed in accordance with the laws of the State of Idaho applicable to agreements made and not to be performed entirely within such state, without regard to conflicts of laws principles.

9.8 Assignability by the Company and the Executive. This Agreement, and the rights and obligations hereunder, may not be assigned by the Company or the Executive without written consent signed by the other Party; provided that the Company may assign this Agreement to any successor that continues the business of the Company.

9.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

9.10 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

9.11 Severability. If any term, provision, covenant or restriction of this Agreement, or any part thereof, is held by a court of competent jurisdiction of any foreign, federal, state, county or local government or any other governmental, regulatory or administrative agency or authority to be invalid, void, unenforceable or against public policy for any reason, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected or impaired or invalidated. The Executive acknowledges that the restrictive covenants contained in Section 6 are a condition of this Agreement and are reasonable and valid in temporal scope and in all other respects.

9.12 Judicial Modification. If any court determines that any of the covenants in Section 6, or any part of any of them, is invalid or unenforceable, the remainder of such covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court determines that any of such covenants, or any part thereof, is invalid or unenforceable because of the geographic or temporal scope of such provision, such court shall reduce such scope to the minimum extent necessary to make such covenants valid and enforceable.

9.13 Tax Withholding. The Company or other payor is authorized to withhold from any benefit provided or payment due hereunder, the amount of withholding taxes due any federal, state or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Board to satisfy all obligations for the payment

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

EXECUTIVE

By: /s/ Anuj Dhanda  
Anuj Dhanda

ALBERTSONS COMPANIES, INC.

By: /s/ Vivek Sankaran  
Vivek Sankaran  
President & Chief Executive Officer

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## Section 5: EX-10.4 (EXHIBIT 10.4)

### AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), dated as of May 1, 2019 (the "Effective Date"), between Albertsons Companies, Inc., a Delaware corporation (the "Company"), and Susan Morris (the "Executive," and together with the Company, the "Parties").

WHEREAS, the Executive is currently employed by the Company, or its affiliate, pursuant to an Employment Agreement, dated as of August 1, 2017 (the "Prior Employment Agreement"); and

WHEREAS, the Parties desire to amend and restate the Prior Employment Agreement to set forth the terms and conditions of the Executive's continued employment with the Company under this Agreement that will supersede the Prior Employment Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and other good and valuable consideration, the Parties agree to the following:

1. Employment and Acceptance. The Company shall continue to employ the Executive, and the Executive shall accept employment with the Company, subject to the terms of this Agreement effective on the Effective Date.

2. Term. Subject to earlier termination pursuant to Section 5 of this Agreement, this Agreement and the employment relationship hereunder shall continue from the Effective Date until January 30, 2023 (the "Term Date"). As used in this Agreement, the "Term" shall refer to the period beginning on the Effective Date and ending on the date the Executive's employment hereunder terminates in accordance with this Section 2 or Section 5. In the event that the Executive's employment with the Company terminates (such date, the "Termination Date") prior to the Term Date, the Company's obligation to continue to pay all base salary, as adjusted, bonus and other benefits then accrued shall terminate except as may be provided for in Section 5 of this Agreement.

3. Duties and Title.

3.1 Title. The Executive shall be employed to render exclusive and full-time services to the Company and its subsidiaries and affiliates. The Executive shall serve in the capacity of Executive Vice President & Chief Operations Officer.

3.2 Duties. The Executive shall have such authority and responsibilities and shall perform such executive duties customarily performed by a similarly titled executive of a company in similar lines of business as the Company, its subsidiaries and its affiliates or as may be assigned to the Executive by the Chief Executive Officer of the Company (the "CEO"). The Executive shall devote all of the Executive's full working-time and best efforts to the performance of such duties and to the promotion of the business and interests of the Company, its subsidiaries and its affiliates. Notwithstanding the foregoing, during the Term, subject to disclosure to, and approval by, the Board of Directors of the Company (the "Board") or the CEO, the Executive may (a) continue to serve on any boards of directors upon which the Executive serves as of the Effective

Date, and (b) serve on other corporate, industry, civic or charitable boards and committees, provided that with respect to (a) and (b), (x) such activities, in the Board's or COO's discretion, do not materially interfere with and are not inconsistent with the Executive's performance of the Executive's duties under this Agreement and (y) any such entity does not engage in the "Business" (as defined below).

4. Compensation and Benefits by the Company.

4.1 Base Salary. During the Term, the Company shall pay to the Executive an annual base salary of \$900,000, payable in accordance with the customary payroll practices of the Company ("Base Salary"). The Executive shall be entitled to such increases, if any, in Base Salary as may be determined from time to time by the Board or the compensation committee of the Board (the "Compensation Committee").

4.2 Bonuses. During the Term, the Executive shall be eligible to receive a bonus or bonuses (collectively, the "Bonus") for each fiscal year of the Company subject to a plan (or plans) established by the Company (the "Bonus Plan") in an amount determined by the Board (or the Compensation Committee) based upon achievement of performance measures derived from the business plan presented by management and approved by the Board (or the Compensation Committee). The target amount of the Executive's Bonus for each fiscal year shall be 100% of the Base Salary (the "Target Bonus"). If such performance measures are only partially achieved or not achieved, the Executive shall only be entitled to such Bonus, if any, as provided under the applicable Bonus Plan or as otherwise determined in the sole discretion of the Board (or the Compensation Committee).

4.3 Participation in Employee Benefit Plans. The Executive shall be entitled, if and to the extent eligible, to participate in all of the applicable benefit plans of the Company or its affiliates, which may be available to other senior executives of the Company, on the same terms as such other executives. The Company or its affiliates may at any time or from time to time amend, modify, suspend or terminate any employee benefit plan, program or arrangement for any reason without the Executive's consent if such amendment, modification, suspension or termination is consistent with the amendment, modification, suspension or termination for other similarly-situated employees of the Company and its affiliates.

4.4 Expense Reimbursement. The Executive shall be entitled to receive reimbursement for all of the Executive's appropriate business expenses incurred in connection with the Executive's duties under this Agreement in accordance with the policies of the Company as in effect from time to time, as well as reimbursement for the costs incurred by the Executive in connection with the preparation of the Executive's applicable tax returns, up to a maximum of \$8,000 annually.

5. Termination of Employment.

5.1 By the Company for Cause or by the Executive Without Good Reason. If: (i) the Company terminates the Executive's employment with the Company for "Cause" (as defined below); or (ii) the Executive voluntarily terminates the Executive's employment without "Good Reason" (as defined below), the Executive shall be entitled to receive the following:

- (a) payment for accrued but unused vacation days, payable in accordance with Company policy;
- (b) the Executive's accrued but unpaid Base Salary and vested benefits, if any, through the Termination Date;
- (c) the earned but unpaid portion of any Bonus earned in respect of any completed performance period prior to the Termination Date; and
- (d) expenses reimbursable under Section 4.4 incurred but not yet reimbursed to the Executive through the Termination Date (Sections 5.1(a), 5.1(b), 5.1(c) and 5.1(d), collectively, the "Accrued Benefits").

For the purposes of this Agreement, "Cause" means, as determined by the Board (or its designee), with respect to conduct during the Executive's employment with the Company, whether or not committed during the Term, (i) conviction of a felony by the Executive; (ii) acts of intentional dishonesty by the Executive resulting or intending to result in personal gain or enrichment at the expense of the Company, its subsidiaries or its affiliates; (iii) the Executive's material breach of the Executive's obligations under this Agreement; (iv) conduct by the Executive in connection with the Executive's duties hereunder that is fraudulent, unlawful or grossly negligent; (v) engaging in personal conduct by the Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Company, its subsidiaries or its affiliates;

(vi) contravention of specific lawful direction from the Board or (vii) breach of the Executive's covenants set forth in Section 6 below before termination of employment. The Executive shall have fifteen (15) business days after notice from the Company to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately (or on such other date set forth by the Company).

For the purposes of this Agreement, "Good Reason" means the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause, for such termination exists or has occurred): (i) a reduction in the Executive's Base Salary or Target Bonus, provided that, the Company may at any time or from time to time amend, modify, suspend or terminate any bonus, incentive compensation or other benefit plan or program provided to the Executive for any reason and without the Executive's consent if such modification, suspension or termination (x) is a result of the underperformance of the Company under its business plan, or (y) is consistent with an "across the board" reduction for all senior executives of the Company, and, in each case, is undertaken in the Board's reasonable business judgment, acting in good faith, and engaging in fair dealing with the Executive; or (ii) without the Executive's prior written consent, relocation of the Executive's principal location of work to any location that is in excess of fifty (50) miles from the location thereof on the Effective Date.

The Company shall have fifteen (15) business days after receipt from the Executive of a written notice specifying the deficiency to cure the deficiency that would result in Good Reason.

5.2 Due to Death or Disability. If either: (a) the Executive's employment terminates due to the Executive's death; or (b) the Company terminates the Executive's

employment with the Company due to the Executive's "Disability" (as defined below), the Executive or the Executive's beneficiaries (in the case of the Executive's death), shall be entitled to receive (i) the Accrued Benefits and (ii) subject to Section 5.4, a lump sum payment in an amount equal twenty-five percent to (25%) of the Executive's then Base Salary.

For the purposes of this Agreement, "Disability" means a determination by the Company in accordance with applicable law that as a result of a physical or mental injury or illness, the Executive is unable to perform the essential functions of the Executive's job with or without reasonable accommodation for a period of (i) ninety (90) consecutive days; or (ii) one hundred eighty (180) days in any one (1) year period.

The Company shall have no obligation to provide the benefits set forth above (other than the Accrued Benefits) in the event that the Executive breaches the provisions of Section 6.

5.3 By the Company Without Cause or By the Executive for Good Reason. If the Company terminates the Executive's employment without Cause or the Executive voluntarily terminates the Executive's employment for Good Reason, the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 5.4:

(a) a lump sum payment in an amount equal to two hundred percent (200%) of the sum of (i) the Base Salary, plus (ii) the Target Bonus, each based on the then Base Salary; and

(b) reimbursement on a monthly basis of the cost of continuation coverage of group health coverage (including family coverage) for twelve (12) months; provided that the Executive elects continuation coverage under a policy, plan, program or arrangement of the Company or its affiliate pursuant to COBRA. The twelve (12) month period shall include, and run concurrently with, the maximum continuation coverage period pursuant to COBRA. If, and to the extent, that any benefit described in this Section 5.3(c) cannot be paid or provided under any policy, plan, program or arrangement of the Company, then the Company itself shall pay or provide for the payment to the Executive, the Executive's dependents, eligible family members and beneficiaries, of such benefits, along with, in the case of any benefit described in this Section 5.3(c) which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company, an additional amount such that after payment by the Executive, or the Executive's dependents, eligible family members or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, benefits under this Section 5.3(c) shall cease when the Executive is covered under another group health plan.

5.4 Continued Compliance and Release. The Company shall have no obligation to provide the payments and benefits provided in Section 5.2 and Section 5.3 (other than the Accrued Benefits) (the "Severance Benefits") in the event (a) the Executive breaches the provisions of Section 6 of this Agreement and (b) unless the Executive signs, and does not revoke, a valid release agreement in a form reasonably acceptable to the Company (the "Release"), not later than sixty (60) days following the Termination Date. If the Severance Benefits are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such Severance Benefits shall begin (or be paid, as applicable) on the first pay period following the date that is

sixty (60) days after the Termination Date. If the Severance Benefits are not otherwise subject to Section 409A of the Code, they shall begin (or be paid, as applicable) on the first pay period after the Release becomes effective.

5.5 No Mitigation. The obligations of the Company to the Executive which arise upon the termination of the Executive's employment pursuant to this Section 5 shall not be subject to mitigation or offset.

5.6 Removal from any Boards and Position. If the Executive's employment is terminated for any reason under this Agreement, the Executive shall be deemed to resign (i) if a member, from the Board or board of directors of any subsidiary or affiliate of the Company or any other board to which the Executive has been appointed or nominated by or on behalf of the Company and (ii) from any position with the Company or any subsidiary or affiliate of the Company, including, but not limited to, as an officer of the Company and any of its subsidiaries.

5.7 Continued Employment Beyond the Expiration of the Term. Unless the Company and the Executive otherwise agree in writing, continuation of the Executive's employment with the Company beyond the expiration of the Term shall be deemed an employment at-will and shall not be deemed to extend any of the provisions of this Agreement and the Executive's employment may thereafter be terminated at will by either the Executive or the Company; provided that Sections 6, 7, 8, 9.7 and 9.12 of this Agreement shall survive any termination of this Agreement or the termination of the Executive's employment hereunder.

## 6. Restrictions and Obligations of the Executive.

### 6.1 Confidentiality.

(a) During the course of the Executive's employment by the Company and its affiliates (prior to, during, and if applicable, after, the Term), the Executive has had and shall have access to certain trade secrets and confidential information relating to the Company, its subsidiaries and its affiliates (the "Protected Parties") which is not readily available from sources outside the Protected Parties. The confidential and proprietary information and, in any material respect, trade secrets of the Protected Parties are among their most valuable assets, including but not limited to, their customer, supplier and vendor lists, databases, competitive strategies, computer programs, frameworks, or models, their marketing programs, their sales, financial, marketing, training and technical information, their product development (and proprietary product data) and any other information, whether communicated orally, electronically, in writing or in other tangible forms concerning how the Protected Parties create, develop, acquire or maintain their products and marketing plans, target their potential customers and operate their retail and other businesses. The Protected Parties invested, and continue to invest, considerable amounts of time and money in their process, technology, know-how, obtaining and developing the goodwill of their customers, their other external relationships, their data systems and data bases, and all the information described above (hereinafter collectively referred to as "Confidential Information"), and any misappropriation or unauthorized disclosure of Confidential Information in any form would irreparably harm the Protected Parties. The Executive acknowledges that such Confidential Information constitutes valuable, highly confidential, special and unique property of the Protected Parties. The Executive shall hold in a fiduciary capacity for the benefit of the Protected Parties all Confidential Information

relating to the Protected Parties and their businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or its affiliates and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). Except as required by law or an order of a court or governmental agency with jurisdiction, the Executive shall not, during the period the Executive is employed by the Company, its subsidiaries or its affiliates, or at any time thereafter disclose any Confidential Information, directly or indirectly, to any person or entity, nor shall the Executive use it in any way, except in the course of the Executive's employment with, and for the benefit of, the Protected Parties or to enforce any rights or defend any claims hereunder or under any other agreement to which the Executive is a party, provided that such disclosure is relevant to the enforcement of such rights or defense of such claims and is only disclosed in the formal proceedings related thereto. The Executive shall take all reasonable steps to safeguard the Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive understands and agrees that the Executive shall acquire no rights to any such Confidential Information.

(b) All files, records, documents, drawings, specifications, data, computer programs, evaluation mechanisms and analytics and similar items relating thereto or to the Business, as well as all customer lists, specific customer information, compilations of product research and marketing techniques of the Company and its affiliates, whether prepared by the Executive or otherwise coming into the Executive's possession, shall remain the exclusive property of the Company, its subsidiaries and its affiliates, and the Executive shall not remove any such items from the premises of the Company, its subsidiaries and its affiliates, except in furtherance of the Executive's duties under any employment agreement.

(c) It is understood that while employed by the Company, its subsidiaries or its affiliates, the Executive shall promptly disclose to it, and assign to it the Executive's interest in any invention, improvement or discovery made or conceived by the Executive, either alone or jointly with others, which arises out of the Executive's employment. At the Company's request and expense, the Executive shall assist the Company, its subsidiaries and its affiliates during the period of the Executive's employment by the Company, its subsidiaries and its affiliates and thereafter in connection with any controversy or legal proceeding relating to such invention, improvement or discovery and in obtaining domestic and foreign patent or other protection covering the same.

(d) As requested by the Company and at the Company's expense, from time to time and upon the termination of the Executive's employment with the Company for any reason, the Executive shall promptly deliver to the Company, its subsidiaries and its affiliates all copies and embodiments, in whatever form, of all Confidential Information in the Executive's possession or within the Executive's control (including, but not limited to, memoranda, records, notes, plans, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information) irrespective of the location or form of such material. If requested by the Company, the Executive shall provide the Company with written confirmation that all such materials have been delivered to the Company as provided herein.

(e) The Executive understands that nothing contained in this Agreement limits the Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each, a "Government Agency"). The Executive further understands that this Agreement does not limit the Executive's ability to communicate with any Government Agency, including to report possible violations of federal law or regulation or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

(f) This Agreement does not limit the Executive's right to receive an award for information provided to any Government Agency. The Executive will not be criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that

(i) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

6.2 Non-Solicitation or Hire. During the Term and for the "Restricted Period" (as defined below) following the termination of the Executive's employment for any reason, the Executive shall not directly or indirectly solicit or attempt to solicit or induce, directly or indirectly,

(a) any supplier, vendor or service provider to the Company, its subsidiaries or its affiliates to terminate, reduce or alter negatively its relationship with the Company, its subsidiaries or its affiliates or in any manner interfere with any agreement or contract between the Company, its subsidiaries or its affiliates and such supplier, vendor or service provider; or (b) any employee of the Company, its subsidiaries or its affiliates or any person who was an employee of the Company, its subsidiaries or its affiliates during the twelve (12) month period immediately prior to the date the Executive's employment terminates to terminate such employee's employment relationship with the Protected Parties in order, in either case, to enter into a similar relationship with the Executive, or any other person or any entity in competition with the Business.

For the purposes of this Agreement, "Restricted Period" means a period equal to the period of severance under Section 5.3 (a).

6.3 Non-Competition. During the Term and for the Restricted Period following the termination of the Executive's employment (for any reason), the Executive shall not, whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, other than on behalf of the Company, its subsidiaries or its affiliates, organize, establish, own, operate, manage, control, engage in, participate in, invest in, permit the Executive's name to be used by, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or business organization), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise which engages or proposes to engage in any business conducted by the Company, its subsidiaries or its affiliates on the Termination Date or within twelve (12) months of the Executive's termination of employment in the geographic locations where the Company, its subsidiaries or its affiliates engage or,

to the Executive's knowledge, propose to engage in such business (the "Business"). Notwithstanding the foregoing, nothing in this Agreement shall prevent the Executive from owning for passive investment purposes not intended to circumvent this Agreement, less than five percent (5%) of the publicly traded common equity securities of any company engaged in the Business (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, manager, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

6.4 Property. The Executive acknowledges that all originals and copies of materials, records and documents generated by the Executive or coming into the Executive's possession during the Executive's employment by the Company, its subsidiaries or its affiliates are the sole property of the Company, its subsidiaries and its affiliates ("Company Property"). During the Term, and at all times thereafter, the Executive shall not remove, or cause to be removed, from the premises of the Company, its subsidiaries or its affiliates copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of the Company, its subsidiaries or its affiliates, except in furtherance of the Executive's duties under this Agreement. When the Executive's employment with the Company terminates, or upon request of the Company at any time, the Executive shall promptly deliver to the Company all copies of Company Property in the Executive's possession or control.

6.5 Nondisparagement. The Executive agrees that the Executive shall not at any time (whether during or after the Term) publish or communicate to any person or entity any "Disparaging" (as defined below) remarks, comments or statements concerning the Company, Cerberus Capital Management, L.P., their parents, subsidiaries and affiliates, and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

7. Remedies; Specific Performance. The Company and the Executive acknowledge and agree that the Executive's breach or threatened breach of any of the restrictions set forth in Section 6 shall result in irreparable and continuing damage to the Protected Parties for which there may be no adequate remedy at law and that the Protected Parties shall be entitled to equitable relief, including specific performance and injunctive relief as remedies for any such breach or threatened or attempted breach. The Executive hereby consents to the grant of an injunction (temporary or otherwise) against the Executive or the entry of any other court order against the Executive prohibiting and enjoining the Executive from violating, or directing the Executive to comply with any provision of Section 6. The Executive also agrees that such remedies shall be in addition to any and all remedies, including damages, available to the Protected Parties against the Executive for such breaches or threatened or attempted breaches. In addition, without limiting the Protected Parties' remedies for any breach of any restriction on the Executive set forth in Section 6, except as required by law, the Executive shall not be entitled to any Severance Benefits if the Executive has breached the covenants applicable to the Executive contained in Section 6, the Executive shall immediately return to the Protected Parties any such Severance Benefits previously received, upon such a breach, and, in the event of

such breach, the Protected Parties shall have no obligation to pay any of the amounts that remain payable by the Company under Section 5.3.

8. Indemnification. The Company agrees, to the extent permitted by applicable law and its organizational documents, to indemnify, defend and hold harmless the Executive from and against any and all losses, suits, actions, causes of action, judgments, damages, liabilities, penalties, fines, costs or claims of any kind or nature ("Indemnified Claim"), including reasonable legal fees and related costs incurred by the Executive in connection with the preparation for or defense of any Indemnified Claim, whether or not resulting in any liability, to which the Executive may become subject or liable or which may be incurred by or assessed against the Executive, relating to or arising out of the Executive's employment by the Company or the services to be performed pursuant to this Agreement. provided that the Company shall only defend, but not indemnify or hold the Executive harmless, from and against an Indemnified Claim in the event there is a final, non-appealable, determination that the Executive's liability with respect to such Indemnified Claim resulted from the Executive's willful misconduct or gross negligence. The Company's obligations under this section shall be in addition to any other right, remedy or indemnification which the Executive may have or be entitled to at common law or otherwise.

9. Other Provisions.

9.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid or overnight mail and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing or one (1) day after overnight mail, as follows:

(a) If the Company, to:

Albertsons Companies Inc. Attention: Andrew J. Scoggin Telephone: (208) 395-5785

(b) If the Executive, to the Executive's home address reflected in the Company's records.

9.2 Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

9.3 Limitation on Payments and Benefits. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute

Payment; provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence shall be made at the expense of the Company by the Company's independent accountant. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 9.3 shall not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 9.3, cash Severance Benefits payable hereunder shall be reduced first, then other cash payments that qualify as Excess Parachute Payments payable to the Executive, then non-cash benefits shall be reduced, as determined by the Company.

9.4 Representations and Warranties by the Executive. The Executive represents and warrants that the Executive is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform the Executive's obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

9.5 Waiver and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.6 Section 409A. The Company and the Executive intend that the payments and benefits provided for in this Agreement either be exempt from Section 409A of the Code, or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted so as to be consistent with the intent of this Section 9.6. Notwithstanding anything contained herein to the contrary, to the extent that any Severance Benefits constitute "nonqualified deferred compensation" subject to Section 409A of the Code, all such Severance Benefits shall be paid or provided only upon the Executive's "separation from service" within the meaning of Section 409A of the Code and the regulations and guidance promulgated thereunder (determined after applying the presumptions set forth in Treas. Reg. Section 1.409A-1(h)(1)). Further, if as of the Executive's Termination Date, the Executive is a "specified employee" as defined in Section 409A of the Code as determined by the Company in accordance with Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company shall defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in payments or benefits ultimately paid or provided to the Executive) until the date that is at least six (6) months following the Executive's Termination Date (or the earliest date permitted under Section 409A of the Code), whereupon the Company shall pay the Executive a lump-sum amount

equal to the cumulative amounts that would have otherwise been previously paid to the Executive under this Agreement during the period in which such payments or benefits were deferred. Thereafter, payments shall resume in accordance with this Agreement.

Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any calendar year shall not affect in-kind benefits or reimbursements to be provided in any other calendar year, other than an arrangement providing for the reimbursement of medical expenses referred to in Section 105(b) of the Code, and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by the Executive and, if timely submitted, reimbursement payments shall be promptly made to the Executive following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall the Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to the Executive.

Additionally, in the event that following the date hereof the Company or the Executive reasonably determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code, the Company and the Executive shall work together to adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other commercially reasonable actions necessary or appropriate to (x) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (y) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

9.7 Governing Law, Dispute Resolution and Venue. This Agreement shall be governed and construed in accordance with the laws of the State of Idaho applicable to agreements made and not to be performed entirely within such state, without regard to conflicts of laws principles.

9.8 Assignability by the Company and the Executive. This Agreement, and the rights and obligations hereunder, may not be assigned by the Company or the Executive without written consent signed by the other Party; provided that the Company may assign this Agreement to any successor that continues the business of the Company.

9.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

9.10 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

9.11 Severability. If any term, provision, covenant or restriction of this Agreement, or any part thereof, is held by a court of competent jurisdiction of any foreign, federal, state, county or local government or any other governmental, regulatory or administrative agency or authority to be invalid, void, unenforceable or against public policy for any reason, the remainder of the

terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected or impaired or invalidated. The Executive acknowledges that the restrictive covenants contained in Section 6 are a condition of this Agreement and are reasonable and valid in temporal scope and in all other respects.

9.12 Judicial Modification. If any court determines that any of the covenants in Section 6, or any part of any of them, is invalid or unenforceable, the remainder of such covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court determines that any of such covenants, or any part thereof, is invalid or unenforceable because of the geographic or temporal scope of such provision, such court shall reduce such scope to the minimum extent necessary to make such covenants valid and enforceable.

9.13 Tax Withholding. The Company or other payor is authorized to withhold from any benefit provided or payment due hereunder, the amount of withholding taxes due any federal, state or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Board to satisfy all obligations for the payment of such withholding taxes.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

EXECUTIVE

By: /s/ Susan Morris  
Susan Morris

ALBERTSONS COMPANIES, INC.

By: /s/ Vivek Sankaran  
Vivek Sankaran  
President & Chief Executive Officer

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## Section 6: EX-10.5 (EXHIBIT 10.5)

December 16, 2019

Mr. Robert G. Miller  
c/o Albertsons Companies, Inc.  
250 Parkcenter Blvd.  
Boise, ID 83706  
RE: Chairman Emeritus

Dear Bob:

This letter agreement (this "Letter Agreement") sets forth the terms of your continued service as Chairman Emeritus of Albertsons Companies, Inc. (the "Company"), effective March 1, 2020 (the "Effective Date").

Upon the Effective Date, you shall be entitled to continue to serve as a member of the Board of Directors of the Company ("Board") until the consummation of a public offering of the Company's capital stock (whether through an Initial Public Offering ("IPO") or a merger with a public company whose shares trade on an internationally recognized securities exchange or dealer quotation system) pursuant to a registration statement filed by the Company under the Securities Act of 1933, as amended (other than a registration statement relating solely to employee benefit plans). You agree to consider, in good faith, a request for the release of your right to serve as a member of the Board in connection with a major restructuring of the composition of the Board following a transformative transaction (such as a substantial change in the Company's stockholder base or change of control of the Company). For purposes of this Letter Agreement, the termination of, or your release of, your right to be appointed to the Board pursuant to this paragraph shall be referred to herein as a "Termination Event".

If, following an IPO or other Termination Event (as defined below), you no longer serve as a member of the Board, you shall be invited to and may attend all meetings of the Board as an observer (unless, upon advice of counsel, your exclusion from a meeting is required to preserve attorney-client privilege).

From the Effective Date until the end of the Company's 2020 fiscal year (i.e. in February 2021), the Company

shall pay you a fee in the amount of \$300,000 per fiscal quarter (the “Quarterly Fee”), to be paid in cash on or as soon as administratively practicable after the first day of each such quarter. Following the Company’s 2020 fiscal year, while you remain a member of the Board, you will be entitled to receive director’s fees to the same extent, and on the same basis, as the director’s fees paid to directors appointed by the ACI Institutional Investors. For purposes of the foregoing, “ACI Institutional Investors” refers to Klaff Realty, LP, Schottenstein Stores Corp., Lubert-Adler Partners, L.P., Colony NorthStar, Inc. and Kimco Realty Corporation, and each of their respective controlled affiliates and investment funds.

Mr. Robert G. Miller  
December 16, 2019

From the Effective Date until the end of the Company's 2020 fiscal year (i.e. in February 2021), you shall be entitled to the use of the corporate aircraft of the Company for up to fifty (50) hours per annum for personal use by you, your family members and guests at no cost to you.

During the Company's 2020 fiscal year, to the extent available, you shall be entitled to the use of the corporate aircraft of the Company for business purposes at no cost to you. If the corporate aircraft is unavailable for your use for business purposes, the Company will reimburse you for the reasonable cost for a private aircraft for travel for such business purposes.

Except as provided above, you will not be eligible for bonuses or other incentive compensation from the Company, other than those to which you are entitled or which accrued for periods prior to the Effective Date.

Except as specified herein, all of your rights, benefits and obligations under applicable agreements and benefit plans shall continue unchanged, including, without limitation, your rights, benefits and obligations under (i) the Employment Agreement between you and the Company, dated March 13, 2006, as amended to date, including the amendments dated March 6, 2014, December 3, 2017, January 12, 2018 and March 25, 2019 (the "Employment Agreement"); (ii) the Limited Liability Company Agreement of Albertsons Investor Holdings LLC (including all of your rights and obligations with respect to such company), and (iii) the Chairman Emeritus Letter Agreement between you and the Company dated March 25, 2019. Without limiting the generality of the foregoing, this Letter Agreement shall not affect your entitlement pursuant to the Employment Agreement to continue to receive a monthly amount equal to \$50,000 for each month (or partial month) during your lifetime and, thereafter, \$25,000 per month for each month (or partial month) in advance to your surviving spouse during her lifetime; provided that, such payments shall terminate April 25, 2029 (the ten (10) year anniversary of the effective date of the termination of your employment with the Company).

Except as provided in the preceding paragraph, this Letter Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

You and the Company agree that, commencing on the Effective Date, you will be deemed to be an independent contractor with respect to your services as Chairman Emeritus under this Letter Agreement and, as a result, you will be responsible for all taxes related to the compensation and benefits provided under this Letter Agreement.

Mr. Robert G. Miller  
December 16, 2019

If you agree with the terms of this Letter Agreement please execute and return the enclosed duplicate of this Letter Agreement.

Very truly yours,

ALBERTSONS COMPANIES, INC.

By: /s/ Robert A Gordon  
Name: RA Gordon  
Title: EVP

ACCEPTED AND AGREED:

/s/ Robert G. Miller  
Robert G. Miller

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## **Section 7: EX-31.1 (EXHIBIT 31.1)**

Exhibit 31.1

### **Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Vivek Sankaran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albertsons Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and

procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 8, 2020

/s/ Vivek Sankaran

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Vivek Sankaran

*President, Chief Executive Office and Director (Principal Executive Officer)*

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## **Section 8: EX-31.2 (EXHIBIT 31.2)**

Exhibit 31.2

### **Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert B. Dimond, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albertsons Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 8, 2020

/s/ Robert B. Dimond

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Robert B. Dimond

*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

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## **Section 9: EX-32.1 (EXHIBIT 32.1)**

Exhibit 32.1

### **Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Albertsons Companies, Inc. (the "Company") on Form 10-Q for the period ended November 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 8, 2020

/s/ Vivek Sankaran

Vivek Sankaran

*President, Chief Executive Officer and Director  
(Principal Executive Officer)*

/s/ Robert B. Dimond

Robert B. Dimond

*Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)*

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