

**Recommended Settlement for Renewal of the Agreements between
UFCW Locals 5, 101, and 648 and Safeway Inc.**

Renew the current Agreement in its entirety, including all letters, understandings, and practices unless specifically changed in these negotiations.

Locals 5, 8, 101, and 648 Contract Changes

1. Section 1.2.4: No change to current language based on the parties' agreement regarding the intent of the "prevailing and existing" language as outlined by the Company during these 2007 negotiations.
2. Create new Section 9.8.5 Self-Checkout to read: "The Employer may have, at its discretion, a multi-unit self-checkout check stand per store. If the Employer wants to introduce a second multi-unit self-checkout check stand, the parties agree to negotiate over the effects of the introduction of a second unit."
3. Section 10.1.1: Cleanup language by changing paragraph to read: "NO REQUIRED WORK: No employee will be required to work on Christmas Day."
4. Section 10.1.2, 2nd paragraph: Add the following sentence to current language "If an insufficient number of employees volunteer, assignment shall be by inverse seniority."
5. Section 10.5 of old Local 839 contract: Delete
6. Article 17.1: Arbitration agreement attached.
7. Section 1.6: Letter of Understanding to provide that any employee who is in an exempt position is placed in the Company's Store Management Training program, that employee shall be allowed to remain exempt for the duration of their training program. The Company agrees to notify the applicable Local of each employee's name, store number, and the date the employee will begin their training program, as well as the date the employee completes their training.

Allows Union to monitor Manager Training Program.

8. Section 2.5.3: Modify to read "The Union agrees to provide the Employer with Union application forms and standard information concerning Union dues and initiation fees. When completing new employees' new hire paperwork, the Employer will provide each employee with such Union application forms and Union dues/initiation fee information for their completion and forwarding to the Union. The responsibility to complete and forward these forms to the Union shall continue to be the responsibility of the employee.

On a trial basis, the Employer will also provide each new hire with the Health and Welfare Trust benefit application forms, if supplied by the Union. The responsibility to complete and forward these forms to the Union shall continue to be the responsibility of

the employee."

Expedites the Union's application process and Health & Welfare and Pension Plans enrollment process.

9. Section 4.3.1: Modify section by adding the following: "An employee selected for a promotion will serve a thirty (30) calendar day probationary period. During this thirty (30) day probationary period, the Employer may disqualify the employee from the position if the employee fails to adequately perform the duties of the position; or the employee may decide to reject the position for any reason. If there is a dispute over a disqualification, the dispute may be submitted to the grievance/arbitration procedure. If the employee is disqualified from or rejects the position, they may return to their former classification and former rate of pay with no loss of seniority. Furthermore, any discipline for failure to perform work as required that was received during the probationary period would be rescinded. Following the disqualification or rejection, the employee may not bid for the same position for a period of six (6) months following the date of disqualification or rejection."

Establishes a thirty (30) day probationary period when promoted while maintaining rights to previous position. Maintains grievance protection in the event of improper disqualification.

10. Section 4.10, Full-Time Bid List: Modify current language, where appropriate, to read: "The Store Manager will compile and maintain the store's bid list. At the conclusions of each bid request period, the Store Manager and Union Representative will confer and agree on the full list, including correct seniority dates and order. The Union Representative will receive a copy of the final list. Any disputes regarding the store's bid list will be handled between the Union and the Labor Relations Department Representative in accordance with this Agreement. An employee will remain on the store bid list until offered a full-time opening or removed in accordance with Section 4.10.3 or by written notification of their desire to be removed from the bid list."

Eliminates repetitive bidding for full-time work. Assures a full-time work bid request remains in effect until full-time status is achieved or employee withdraws request in writing.

11. Section 9.1.3: Delete current language starting at the second paragraph "previous experience" and replace with the following: "If an Experienced Food Clerk has been out of the Industry no more than five (5) years, he will be allowed to start at the (7th) Apprentice Food Clerk rate of pay."

Self-explanatory.

12. Section 9.1.4: Change last sentence to read: "An Apprentice Food Clerk below the sixth (6th) step may perform the duties of any classification except Managing Clerk or Head Clerk."

Allows only those with a minimum of 3641 hours of experience to be stepped up to Head Clerk or above.

13. Section 9.4: Modify last sentence of the first paragraph to read: "However, the Employer is not required to make contributions to the Health and Welfare or Pension Trust Funds on behalf of Demonstrators."

Clarifies current language.

14. Section 10.5: Clarify by changing first sentence to read: "Employees with at least twenty-five (25) years of continuous service . . ."

Clarifies qualification for two seniority holidays.

15. Section 11: Adjust the effective date of this change in the contract to the ratification date of this 2007 contract. Section 11.4.1 to read "Employees hired after the date of ratification with over ten (10) years of Industry time will receive three (3) weeks of vacation after twelve (12) months of employment, four (4) weeks after five (5) years of employment with the Employer, and five (5) weeks after ten (10) years with the Employer."

Updates effective date of provision.

16. Sections 12 and 13, Health and Welfare and Pension: Agreed as per the attached summary documents.

17. Section 18.9: Change to read: "The Employer is not required to pay any wage claim or portion thereof retroactively for a period of more than ninety-one (91) days immediately prior to the Employer's receipt or written notice from the Union of such claim."

Conforms to area standard contracts.

18. Section 7.8/Appendix B.1 Night Premium: Delete current night premiums and replace with: "All employees, except Courtesy Clerks, shall receive extra compensation, in addition to the regular scale herein set forth, of sixty-five cents (65¢) per hour for all work performed between the hours of 10 p.m. and 6 a.m."

Increases compensation for night workers.

19. Pharmacy Technicians Intern Letter of Understanding: Modify, adding the following: "Pre-Pharmacy Students: The Employer shall be permitted an exempt position or positions in each of the Employer's pharmacy departments for pre-pharmacy students. For the purpose of this provision, a pre-pharmacy student is defined as an undergraduate, full-time student enrolled in prerequisite classes for pharmacy school admission or who has already been accepted to pharmacy school. The aggregate number of hours pre-pharmacy students may work in each pharmacy may not exceed an average of twenty-four (24) hours per week. These hours must be in addition to, and not in replacement of, regularly scheduled hours for Pharmacy Clerks. No Pharmacy Clerk will have their hours diminished as a direct result of the Employer implementation of the

pre-pharmacy student program.

Self-explanatory. Also provides protection for Pharmacy Clerks from a reduction in hours.

Pharmacy Technician Probation: If a current employee is selected for a Pharmacy Technician opening, there shall be a thirty (30) day trial period. During this period, the Employer may disqualify the employee if the employee fails to perform the duties of the Pharmacy Technician adequately (e.g. number of prescriptions filled daily, accurateness of prescriptions filled, timeliness, etc.). The employee may also decide to reject the position in his judgment. (Disputes over disqualification process through grievance process). If the employee is disqualified from or rejects the position, the employee will return to his former classification at his former rate of pay with no loss of seniority."

Establishes a thirty (30) day probationary period when promoted while maintaining rights to previous position. Maintains grievance protection in the event of improper disqualification.

20. Term of Agreement: Locals 5, 101, 648: December 1, 2007, through October 8, 2011
Note: Local 8 also expires on October 8th, 2011.

Establishes a common expiration date for ALL Northern California UFCW Locals.

Meat Only Contract Changes

21. Extra Workers: Change the first sentence to read: "An Extra Worker is an employee who is scheduled on a daily and/or weekly basis and is not subject to the probationary period of this Contract, except as set forth below."

Clarifies current language.

22. Meat Extra holiday worked premium pay, add a new section to read: "For the purposes of holiday worked premium pay, Meat Extras who worked for the Company prior to February 11th, 2005, shall receive the same holiday premium as all other employees hired prior to February 11th, 2005. Likewise, Meat Extras who first work for the Company after February 11th, 2005 will be paid at their straight-time hourly rate and an additional one dollar (\$1.00) per hour premium, the same as other employees hired after February 11th, 2005."

Clarifies holiday pay for Meat Extras.

Other Issues

23. When drafting the new Agreements, the Parties will attempt to merge the Meat and Grocery contracts into one document.
24. Safeway and UFCW Locals 5 and 8 may, by mutual agreement, amend seniority areas during the term of the Agreement.

Discuss updating seniority areas where appropriate.

25. Letters of Understanding, as attached, regarding:
- \$ HRA
 - \$ Merger of the Meat and Grocery Agreements
 - \$ HMO Cost Containment Review
 - \$ Retiree Health and Welfare
 - \$ Super Card
 - \$ Merger of Bay and Valley Health and Welfare Plans
26. Any proposal made, modified, or withdrawn by the Parties during these negotiations shall not be used as evidence in any arbitration or other legal proceeding.
27. Finally, the Parties agree that if either of us have made any errors in preparing or proofing this document, all agreements reached between the bargaining Parties at the bargaining table will prevail.

This Settlement is made on the basis that it will be fully recommended by all Locals for acceptance and ratification by our employees. If for any reason this offer is not ratified in a timely manner, the Company reserves its right to withdraw the offer in its entirety and begin negotiations from scratch.

Signed and agreed this 2nd day of December 2007:

Frank Jorgensen, VP Labor Relations
Safeway Inc.

Ron Lind, President
UFCW Local 5

Carl Ramnitz, Director of Labor Relations
Safeway Inc.

Jacques Loveall, President
UFCW 8-Golden State

Mike Borstel, President
UFCW Local 101

Michael Sharpe, President
UFCW Local 648

ZONE A					
CLASSIFICATION	Current	12/02/07	10/05/08	10/04/09	10/03/10
Managing Clerk	20.418	21.118	21.518	21.868	22.218
Senior Head Clerk	19.877	20.577	20.977	21.327	21.677
Head Clerk	19.763	20.463	20.863	21.213	21.563
Food Clerk					
Thereafter	19.334	20.034	20.434	20.784	21.134
1040 hours	17.000	17.500	17.500	18.000	18.000
1040 hours	15.000	15.500	15.500	16.000	16.000
1040 hours	13.500	14.000	14.000	14.500	14.500
1040 hours	11.750	12.200	12.200	12.700	12.700
1040 hours	10.000	10.400	10.400	10.900	11.010
1040 hours	9.500	9.750	9.750	10.250	10.380
520 hours	9.000	9.250	9.250	9.750	9.850
520 hours	8.700	9.000	9.000	9.500	9.700
520 hours	8.500	8.750	8.750	9.250	9.500
GM Clerk (Including grandfathered Jny, E-Commerce)					
GM Head Clerk	13.855	14.405	14.905	15.405	15.905
Thereafter	13.455	14.005	14.505	15.005	15.505
1040 hours	11.750	12.250	12.250	12.750	12.750
1040 hours	10.600	11.000	11.000	11.500	11.500
1040 hours	10.100	10.500	10.500	11.000	11.000
1040 hours	9.400	9.750	9.750	10.250	10.250
1040 hours	8.900	9.250	9.250	9.750	10.000
1040 hours	8.600	9.000	9.000	9.500	9.750
520/1040 hours (new hire)	8.400	8.750	8.750	9.250	9.500
520/1040 hours (new hire)	8.200	8.500	8.500	9.000	9.250
520 hours	8.000	8.250	8.250	8.750	9.000
Courtesy Clerk					
Thereafter	8.395	8.750	9.000	9.150	9.300
1040 hours	8.000	8.500	8.500	8.750	9.000
520 hours	7.500/7.750	8.250	8.250	8.500	8.750
Upon promotion, Courtesy Clerks will be paid the next highest rate in the new classification that produces at least a 10¢ per hour increase.					
Courtesy Clerk hired prior to 05/03/83	9.412	9.750	10.000	10.150	10.300
Fuel Station/Safeway.com Clerk					
Lead Selector	12.250	12.600	12.850	13.100	13.350
Thereafter	11.850	12.200	12.450	12.700	12.950
1040 hours	10.800	11.150	11.150	11.400	11.400
1040 hours	10.200	10.500	10.500	10.750	10.750
1040 hours	9.600	9.850	9.850	10.100	10.250
1040 hours	9.000	9.250	9.250	9.500	10.000

1040 hours	8.600	9.000	9.000	9.250	9.750
1040 hours	8.200	8.750	8.750	9.000	9.500
520 hours	7.900	8.550	8.550	8.800	9.250
520 hours	7.700	8.400	8.400	8.650	9.000
520 hours	7.500	8.250	8.250	8.500	8.750
Demonstrators	12.000	12.750			

Premium Employees: Modify as discussed to provide combination of wage increases and/or equivalent bonus payments to bring non-Department Managers to the appropriate contract rates, over the term of the contract.

ZONE A

CLASSIFICATIONS	Current	12/02/07	Interim*	10/05/08	Interim*	10/04/09	Interim*	10/03/10	Interim*
Food Clerk									
Thereafter	19.334	20.034		20.434		20.784		21.134	
			18.767		18.967		19.392		19.567
1040 hours	17.000	17.500		17.500		18.000		18.000	
			16.500		16.500		17.000		17.000
1040 hours	15.000	15.500		15.500		16.000		16.000	
			14.750		14.750		15.250		15.250
1040 hours	13.500	14.000		14.000		14.500		14.500	
			13.100		13.100		13.600		13.600
1040 hours	11.750	12.200		12.200		12.700		12.700	
			11.300		11.300		11.800		11.855
1040 hours	10.000	10.400		10.400		10.900		11.010	
			10.075		10.075		10.575		10.695
1040 hours	9.500	9.750		9.750		10.250		10.380	
			9.500		9.500		10.000		10.115
520 hours	9.000	9.250		9.250		9.750		9.850	
			9.125		9.125		9.625		9.775
520 hours	8.700	9.000		9.000		9.500		9.700	
520 hours	8.500	8.750		8.750		9.250		9.500	

***Promotion from GMC:** Current employees promoted from a GMC position to a Food Clerk classification shall be placed in the step above their present contractual wage rate. Upon successful completion of 1040 hours, they will receive an interim increase as reflected in the interim step column (above). Upon successful completion of an additional 1040 hours for a total of 2080 hours since promotion to Food Clerk, the employee returns to the current rate progression steps.

ZONE A					
CLASSIFICATIONS	Current	12/02/07	10/05/08	10/04/09	10/03/10
Pharmacy Technician 2					
Thereafter		\$17.700	\$18.100	\$18.450	\$18.800
1040		\$16.620	\$16.970	\$17.320	\$17.720
1040		\$16.060	\$16.310	\$16.560	\$16.860
1040		\$15.780	\$16.030	\$16.280	\$16.580
1040		\$15.480	\$15.730	\$15.980	\$16.230
1040		\$15.230	\$15.480	\$15.730	\$15.980
1040		\$14.900	\$15.150	\$15.400	\$15.650
Pharmacy Technician 1					
Thereafter		\$15.700	\$16.100	\$16.450	\$16.800
1040		\$14.620	\$14.970	\$15.320	\$15.720
1040		\$14.060	\$14.310	\$14.560	\$14.860
1040		\$13.780	\$14.030	\$14.280	\$14.580
1040		\$13.480	\$13.730	\$13.980	\$14.230
1040		\$13.230	\$13.480	\$13.730	\$13.980
1040		\$12.900	\$13.150	\$13.400	\$13.650

All Pharmacy Technicians at the Thereafter wage rate or above, will receive a first year wage increase of \$.70 per hour. Any Pharmacy Technician who is above the Thereafter wage rate, will receive the first, second, third, and/or fourth year wage increase in the form of a bonus or equivalent combination of wage increase and bonus as may be appropriate to bring the Technician to the correct rate of pay.

Those Pharmacy Technicians in the 1st, 2nd, 3rd, step of the progression will receive a \$.40 per hour increase and thereafter progress accordingly; those Pharmacy Technicians in the 4th, 5th, 6th, step progression will receive a \$.50 per hour increase and thereafter progress accordingly.

Premium Employees: Modify as discussed to provide combination of wage increases and/or equivalent bonus payments to bring non-Department Managers to the appropriate contract rates, over the term of the contract.

ZONE A - MEAT					
CLASSIFICATION	Current	12/02/07	10/05/08	10/04/09	10/03/10
Head Meat Cutter (directs over 5)	21.274	21.974	22.374	22.724	23.074
Head Meat Cutter	21.024	21.974	22.374	22.724	23.074
Meat Cutter					
Thereafter	19.774	20.474	20.874	21.224	21.574
1040 hours	17.000	17.500	17.500	18.000	18.000
1040 hours	15.500	16.000	16.000	16.250	16.250
1040 hours	14.000	14.500	14.500	14.750	14.750
1040 hours	13.000	13.500	13.500	13.750	13.750
1040 hours	12.250	12.750	12.750	13.000	13.250
1040 hours	11.750	12.250	12.250	12.500	12.750
520 hours	11.500	12.000	12.000	12.250	12.500
520 hours	11.000	11.500	11.500	11.750	12.000
520 hours	9.500	10.000	10.000	10.250	10.500
Meat Clerk			10¢w/40¢b	50¢ bonus	
Thereafter	14.978	15.528	15.630	15.630	16.130
1040 hours	13.000	13.500	13.500	13.500	13.500
1040 hours	11.500	11.750	11.750	11.750	11.750
1040 hours	10.500	10.750	10.750	10.750	11.000
1040 hours	9.500	9.750	9.750	10.000	10.250
1040 hours	8.900	9.250	9.250	9.750	10.000
1040 hours	8.600	9.000	9.000	9.500	9.750
520/1040 hours (new hire)	8.400	8.750	8.750	9.250	9.500
520/1040 hours (new hire)	8.200	8.500	8.500	9.000	9.250
520 hours	8.000	8.250	8.250	8.750	9.000
Clean-up Worker	8.313	8.750	9.000	9.150	9.300
Meat Extras	\$1.50/hour				
Premium Employees: Modify as discussed to provide combination of wage increases and/or equivalent bonus payments to bring non-Department Managers to the appropriate contract rates, over the term of the contract.					

SUMMARY OF HEALTH AND WELFARE AGREEMENT

1. Employer Contribution Rates

- a. \$5.52 NorCal and \$5.42 Bay through hours worked in November 2007
- b. \$5.25 effective hours worked in December 2007
- c. \$5.90 effective hours worked in December 2008
- d. \$6.15 effective hours worked in December 2009
- e. \$6.20 effective hours worked in December 2010
- f. No contributions on Fuel Station employees for 12 months from date of hire

2. Benefit Changes

- a. The Trustees are authorized and directed to modify benefits, for active employees, in the manner as enumerated below. The Trustees shall implement and maintain over time a schedule of benefits and plan design, including a prudent operating reserve that can be supported by the applicable hourly contribution rate. These changes shall be made by the Trustees to be effective January 1, 2008, or as soon thereafter as may be adopted and implemented by the UFCW Benefits Trust Fund.
 1. Eliminate annual prescription deductible.
 2. Eliminate the annual dental deductible in Plan A and Plan B.
 3. Increase annual dental maximum in Plan A to \$2,500 and in Plan B to \$2,000.
 4. Increase the orthodontic combined lifetime maximum to an aggregate of \$2,000 in Plan A and Plan B.
 5. 100 percent coverage for participants for preventative care in Plan A and Plan B based on Schedule 1 as modified by guidance from nationally recognized experts.
 6. First-dollar coverage for preventative and diagnostic dental care in Plan C and coverage for well-baby care in Plan C (as described in Schedule 1).
 7. Reduce co-pays for maintenance drugs for conditions such as diabetes, high blood pressure, etc., as such maintenance drugs may be identified by the PBM from time to time:

Retail: \$7/\$15/\$25
Mail Order or Retail for a 90-day supply for maintenance medications only: \$14/\$30/\$50

When no generic or formulary is available, based on the PBM's list as of the date of the new Collective Bargaining Agreement as reviewed and modified from time to time, the Formulary co-pay will apply for these prescriptions.

3. HRA Plan Design

- a. In-network
- b. Out-of-network
- c. Deductible carryover practice will be phased out. It will continue to apply to deductibles incurred in the fourth quarter of 2007 (that carry over to 2008) and eliminated thereafter.

4. Health and Care Management Programs

5. Eligibility

- a. Initial eligibility - 5 months
- b. Plan C - employee and child(ren) only
- c. Graduate to Plan B after 25th month - family coverage
- d. Graduate to Plan A after 72nd month
- e. Courtesy Clerks - employee only coverage and no graduation for employees hired after ratification. Courtesy Clerks hired after ratification of this Agreement will be eligible for employee-only coverage. If a Courtesy Clerk is promoted, they will be given credit for the purpose of eligibility, back to their date of hire.

6. Sick Leave

- a. Add Plan C sick leave and move Meat sick leave to the Trust Fund.

SUMMARY OF PENSION AGREEMENT

1. Employer Contribution Rates

- a. Blended rate of \$1.72 effective for hours worked in January 2008
- b. Fuel Station contribution - no change

2. Benefit changes (see attached)

3. Long-term funding policy as modified

HEALTH AND CARE MANAGEMENT PROGRAMS

Within the funding of the plan, the Trustees will implement Integrated Health and Care Management Programs with the goal of both improving participant health and decreasing health-care costs and cost trends over time. The cost of the Health and Care Management Programs will be no more than the projected savings over a reasonable period of time. The programs shall be designed to progress over the term of the Agreement to "best-in-class" levels with respect to the key characteristics listed below:

- \$ Quality education campaign for all participants
- \$ Superior participant communications, including robust web tools
- \$ Superior participant information tools
- \$ Analytic measuring participation, compliance, and results
- \$ Very strong comprehensiveness of programs
- \$ High levels of integration
- \$ Strong physician behavior-change mechanisms
- \$ Significant levels of medical and drug trend reduction

Such programs may include, but are not limited to:

1. Establish a health-risk assessment questionnaire to be completed during Annual Enrollment. If employee (and spouse where applicable) completes the HRQ during enrollment, an incentive amount as previously proposed will be added to the HRA account. During the term of this Agreement, the Trustees may, by mutual agreement, reallocate the HRA incentive amounts. Any disagreement will not be subject to binding arbitration.
2. A 24-hour nurse call-in line and/or medical decision support.
3. A medical management program that targets high-risk participants with chronic diseases such as diabetes, obesity, asthma, and cardiovascular disease. In order to encourage participant engagement in such programs and to enhance the goal of improving health status, a series of incentives must be developed.

There is recognition that incentives may take various forms and will likely evolve and change over time based on program experience with a goal of maximizing program effectiveness and reducing health costs and medical trend. The initial focus will be a thorough educational campaign in connection with program roll out.

4. Free and/or reduced cost educational programs such as:
 - a. Weight management
 - b. Smoking cessation
 - c. High cholesterol management
5. Reduce prescription drug co-pays as shown below for participants taking maintenance drugs (and related supplies which require a prescription) for certain disease states which would include categories of drugs such as:

- a. Hypertension
- b. High cholesterol
- c. Diabetes control
- d. Asthma
- e. Glaucoma
- f. Osteoporosis

Drug Class	30-Day Supply	90-Day Supply
Generic	\$7	\$14
Formulary Brand	\$15	\$30
Nonformulary Brand	\$25	\$50

It is understood that the Plan's consultants will continue to evaluate the effectiveness of including these scheduled drug categories on Plan costs and based on their recommendations the Trustees may remove drugs from this list and/or add other categories of drugs consistent with the objective of increasing compliance with prescribed drug therapies which will lower plan costs and trend.

- 6. Complex/Catastrophic Care Management to provide case management of the entire care and treatment for participants with high-risk health conditions.
- 7. Preventative health care at medically appropriate times (see below):

Service	New HRA plan coverage (In-Network)	Out-of-Network (no change)
Mammography	Plan pays 100%	After deductible, plan pays 50% of UCR charges. You pay 50% of UCR plus 100% of amount over UCR.
Routine Annual Physical Exam	Plan pays 100%	After deductible, plan pays 50% of UCR charges. You pay 50% of UCR plus 100% of amount over UCR. One exam per year.
Well-baby care	Plan pays 100%	After deductible, plan pays 50% of UCR charges. You pay 50% of UCR plus 100% of amount over UCR.
Childhood immunizations	Plan pays 100%	After deductible, plan pays 50% of UCR charges. You pay 50% of UCR plus 100% of amount over UCR.

Papanicolaou (Pap) smear and pelvic examination	Plan pays 100%	After deductible, plan pays 50% of UCR charges. You pay 50% of UCR plus 100% of amount over UCR. Up to two exams per year combined PPO and non-PPO providers.
Prostate specific antigen (PSA) testing	Plan pays 100%	After deductible, plan pays 50% of UCR charges. You pay 50% of UCR plus 100% of amount over UCR.
Colonoscopy	Plan pays 100%	After deductible, plan pays 50% of UCR charges. You pay 50% of UCR plus 100% of amount over UCR.

Utilize nationally recognized guidelines as a basis for coverage.

SECTION 13. PENSION

13.5 BENEFITS: The Trustees are authorized and directed to modify benefits in accordance with the following provisions, and otherwise in accordance with the provisions of this Agreement:

In the event that (a) there has been a green zone certification in each year during the term of this Agreement and (b) the Plan co-actuaries determine in conjunction with the 2011 certification that green zone status can be achieved while also providing a pension benefit accrual increase retroactive to January 1, 2007, then the benefit accrual rate under the Plan shall be increased only in accordance with the following:

The maximum pension accrual increase that will be provided is 15.38% and will apply for accruals earned during the plan years beginning during the term of this Agreement (i.e. 2007, 2008, 2009, and 2010). In order to determine the level of a possible pension accrual increase, a two-stage process will be implemented.

First, a maximum of a 7.69% accrual increase will be provided if and when the co-actuaries certify that the plan is able to obtain a PPA green zone certification in 2011. The actual rate of accrual increase in this first step shall be set at a level, not to exceed 7.69%, that will ensure that the Plan's green zone status is maintained. Second, a maximum additional 7.69% pension accrual increase will be provided if, at the time of the 2011 certification, the co-actuaries project that the Funding Standard Account Credit Balance will remain positive through December 31, 2019. The actual rate of accrual rate increase in this second step shall be set at a level, not to exceed 7.69%, that will ensure that the projected Credit Balance will remain positive through December 31, 2019. The Trustees are directed to adopt these possible accrual changes in 2011.

**LETTER OF UNDERSTANDING
BETWEEN
UFCW Locals 5, 8 and 101
AND
SAFEWAY INC.**

MEAT EXTRAS

A Meat Extra employee will be considered an ongoing employee of the Company. After being initially set up in the Company's computer system, such an employee need not complete an application for employment, an I-9 form, or other pre-hire paperwork prior to being scheduled to work thereafter at a different store of the Employer. Such an employee will be issued, and may retain until termination, an employee identification card which must be used for the purpose of clocking in and out of a store's payroll computer in the same manner as other regular employees. Such an employee shall be entitled to the benefits in the Agreement for Extra Employees and shall not accumulate seniority except as provided in the Collective Bargaining Agreement. An employee's status as an ongoing employee shall be considered to be terminated only upon the employee's inclusion in the list of employees who are not to be dispatched, the provision of written notice by the Company to the employee of the employee's termination of employment, or the employee's provision of written notice of resignation to the Company's Human Resources Department.

Meat Extras shall be paid on the same schedule as all other employees of the Company and their regular weekly check will be sent to their home store for pick-up unless the employee has signed up for direct deposit. At the request of the employee, the Company agrees it will allow the employee to change their home store designation so that the employee can pick up their check at a more convenient location. In the event the employee does not receive their weekly paycheck on the next normal payday, it shall then be the employee's obligation to immediately notify both their home Store Manager and the Union. If the employee has properly recorded their work time at the store, upon notification from the Union that the employee did not receive their normal weekly paycheck, the Company shall then issue the employee's paycheck within three (3) business days of receipt of notification from the Union.

After one (1) year, either Party shall have the right to cancel this Letter of Understanding. In such event, the language in the Parties' 2004-2007 Collective Bargaining Agreement shall apply.

Signed and agreed this 2nd day of December 2007:

Frank Jorgensen, VP Labor Relations
Safeway Inc.

Carl Ramnitz, Director of Labor Relations
Safeway Inc.

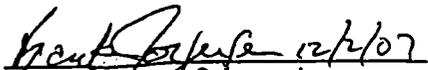
Ron Lind, President
UFCW Local 5

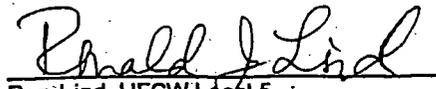
Jacques Loveall, President
UFCW 8-Golden State

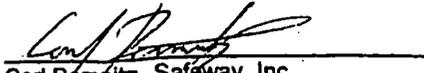
Mike Borstel, President
UFCW Local 101

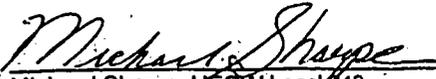
Letter of Understanding
Between
UFCW Locals 5 and 648
and
Safeway, Inc.

The grievances filed by Locals 5 and 648 regarding the "Nut Bar" operations are withdrawn and fully settled. The parties agree that Nut Bar employees are considered GM Clerks under the terms of the contract. In addition, in the event Nut Bars grow to the point where four (4) or more employees are regularly employed in a store, the Company agrees to meet with the Locals to consider the application of a Head Clerk rate of pay for the Nut Bar.


Frank Jorgensen, Safeway, Inc.


Ron Lind, UFCW Local 5


Carl Remnitz, Safeway, Inc.


Michael Sharpe, UFCW Local 648

LETTERS OF UNDERSTANDING

1. **HRA:** The Parties direct the Trustees to implement Health Reimbursement Accounts, with details as agreed to in these 2007 Safeway negotiations, no later than January 1, 2009.
2. **Merger of the Meat and Grocery Agreements:** The Parties have agreed in concept to merge their respective Meat and Grocery Agreements into one contract. However, due to the time needed to fully discuss and properly complete this process, the Parties have agreed to continue their discussion regarding the merger of these Agreements after ratification.
3. **HMO Cost Containment Review:** The bargaining Parties agree to direct the Trustees to periodically solicit competitive bids from a number of HMOs, with the objective that such HMO premiums would be reasonably close to the monthly cost of the Trust's indemnity plan (taking into account demographic differences that currently exist between the indemnity and HMO plans). It is understood that in implementing this procedure, the Trustees retain their discretion to determine which HMOs shall be solicited for bids as well as the time frame and manner in which such parity is ultimately achieved. It is noted that a factor in determining whether an HMO will be invited to bid is their willingness to provide sufficient data to properly analyze the rating and underwriting methodology.
 - 3a. **Trustee Letter Only:** Notwithstanding the HMO cost containment review side letter, it is understood that this side letter is not intended to alter the current HMO plan design without the mutual agreement of both Union and Employer Trustees.
4. **Retiree Health and Welfare:** The bargaining Parties agree to direct the Trustees to establish a subcommittee of the Trust for the purpose of redesigning the current retiree Health and Welfare Plan. The Trustees shall establish the specific goals, objectives, and parameters of the subcommittee's work. This subcommittee shall be directed to complete their redesign work no later than June 30, 2008, with the intention to implement the redesigned plan no later than January 1, 2009. The Trustees shall further establish a procedure for submitting any unresolved issues of this redesign to binding arbitration, in accordance with the goals, objectives, and parameters mutually agreed to by the Trustees, with such arbitration to be held in a time frame which will still accomplish the implementation of the redesigned plan no later than January 1, 2009.
5. **"Super Card":** Safeway agrees to meet with the Unions following these negotiations to consider any lawful arrangement which would permit the establishment of this card.

Signed and agreed this 2nd day of December 2007:

Frank Jorgensen, VP Labor Relations
Safeway Inc.

Carl Ramnitz, Director of Labor Relations
Safeway Inc.

Ron Lind, President
UFCW Local 5

Jacques Loveall, President
UFCW 8-Golden State

Mike Borstel, President
UFCW Local 101

Michael Sharpe, President
UFCW Local 648

UFCW BENEFITS TRUST FUND

	PLANS A, B, AND C	
PRESCRIPTION DRUGS		
	Retail	Mail Order⁽¹⁾
Annual Deductible	None	None
Copayments		
Formulary Generic	\$10	\$20
Formulary Brand	\$20	\$40
Non-Formulary	\$35	\$70
Maximum Days Supply	Up to 30 days	Up to 90 days
SELECTED MAINTENANCE DRUGS ⁽³⁾		
	Retail ⁽²⁾	Retail OR Mail Order⁽¹⁾⁽²⁾
Annual Deductible	None	None
Copayments		
Formulary Generic	\$7	\$14
Formulary Brand	\$15	\$30
Non-Formulary	\$25	\$50
Maximum Days Supply	Up to 30 days	Up to 90 days

RETIREES	
Benefit level	Retirees participate in Plan B Medical/drug coverage. The retiree must pay \$70 per month. HMO coverage is available, with no change to current coverage levels. Retirees may elect Plan B dental and vision coverage and self-pay 100% for this coverage.

(1) Mail order prescription drug program is available primarily for retirees.

(2) When no generic or formulary drug is available, the formulary copayment will apply.

(3) For selected disease categories only, such as diabetes, hypertension and asthma. Additional classification may be added by the Trustees from time to time.



UFCW BENEFITS TRUST FUND

	PLAN A	PLAN B	PLAN C
INDEMNITY MEDICAL/EMAP			
	Same as Current, with the exception of preventive care covered 100% as modified by guidance from nationally recognized experts.	Same as Current, with the exception of preventive care covered 100% as modified by guidance from nationally recognized experts.	Same as Current, with the exception of first-dollar coverage for well baby care.
HMO MEDICAL	Same As Current (\$25 office, \$75 ER, \$100 hospital)	Not Offered	Not Offered
VISION (VSP)	Same As Current (\$5, 12/12/12)	Same As Current (\$10, 12/24/24)	Not Offered
INDEMNITY DENTAL			
Annual Deductible	None	None	None
Annual Benefit Maximum	\$2,500 per person.	\$2,000 per person.	Limited to diagnostic/preventive care.
Plan Payment	Same As Current	Same As Current	100% for diagnostic/preventive.
ORTHODONTIC	75% of UCR to \$2,000 per person lifetime	75% of UCR to \$2,000 per person lifetime	Not Offered

UFCW BENEFITS TRUST FUND

	PLAN A/PREMIER	PLAN B/ULTRA	PLAN C/STANDARD
ELIGIBILITY TUNNELS (Courtesy Clerks hired after ratification are eligible for employee only coverage. If promoted, they will be given credit, for eligibility purposes, back to their date of hire)	Effective the month following the 72 th month from date of hire, Employees, spouses and dependent children are eligible for Plan A.	Effective the month following the 25 th month from date of hire, Employees, spouses and dependent children are eligible for Plan B.	Initial eligibility requires four months of qualifying hours, of which first two must be consecutive. Coverage under Plan C begins the first day of the second month following the fourth month of qualifying hours. Coverage is provided for employee and dependent children only.
DEATH BENEFITS			
Death and AD&D Benefits (Employee)	Same as Current (\$40,000)	Same as Current (\$20,000)	Same as Current (\$10,000)
Death Benefits (Dependents)	Same as Current (\$5,000)	Same as Current(\$2,500)	None
SICK LEAVE/PAYOUT (Includes Meat Employees)			
Hours accumulation	Sick leave hours are accrued monthly based on hours worked: Less than 64 hours: 0 hours At least 64, but less than 120 hours: 3 hours 120 hours or more: 6 hours	Sick leave hours are accrued monthly based on hours worked: Less than 64 hours: 0 hours At least 64, but less than 120 hours: 3 hours 120 hours or more: 6 hours	Sick leave hours are accrued monthly based on hours worked: Less than 64 hours: 0 hours At least 64, but less than 120 hours: 2 hours 120 hours or more: 4 hours
Sick Leave Payment availability	Available to eligible participants	Available to eligible participants	Available to eligible participants
Payout	Employee must have 360 sick leave hours accumulated as of December 31. Payout is \$400 less \$10 for each hour of sick leave used during that calendar year.	Employee must have 360 sick leave hours accumulated as of December 31. Payout is \$400 less \$10 for each hour of sick leave used during that calendar year.	Employee must have 360 sick leave hours accumulated as of December 31. Payout is \$400 less \$10 for each hour of sick leave used during that calendar year.