

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

**SAFeway INC**

CIK: **86144** | IRS No.: **943019135** | State of Incorporation: **DE** | Fiscal Year End: **1228**  
Type: **8-K** | Act: **34** | File No.: **001-00041** | Film No.: **04969537**  
SIC: **5411** Grocery stores

Mailing Address  
5918 STONERIDGE MALL  
ROAD  
PLEASANTON CA 94588

Business Address  
5918 STONERIDGE MALL RD  
PLEASANTON CA 94588  
9254673000

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported): August 12, 2004**

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**SAFEWAY INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of Incorporation)

**1-00041**  
(Commission File Number)

**94-3019135**  
(I.R.S. Employer  
Identification Number)

**5918 Stoneridge Mall Road, Pleasanton, California 94588**  
(Address of principal executive offices) (Zip Code)

**(925) 467-3000**  
(Registrants' telephone number, including area code)

**N/A**  
(former name or former address, if changed since last report)

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## ITEM 5. OTHER EVENTS

### DEBT OFFERING

On August 12, 2004, we completed an underwritten offering of \$500,000,000 aggregate principal amount of our 4.950% Notes Due 2010 and \$250,000,000 aggregate principal amount of our 5.625% Notes Due 2014 (collectively, the “*Notes*”) under our registration statement on Form S-3, filed with the Securities and Exchange Commission (the “*Commission*”) on July 27, 2004 (File No. 333-117692), as amended by Pre-Effective Amendment No. 1 as filed with the Commission on August 4, 2004, a base prospectus dated August 4, 2004 and an accompanying prospectus supplement dated August 5, 2004 relating to our offer and sale of the Notes.

The sale of the Notes was underwritten by Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., Barclays Capital Inc., BNP Paribas Securities Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wachovia Capital Markets, LLC, Piper Jaffray & Co. and Wells Fargo Securities, LLC, pursuant to an underwriting agreement dated August 5, 2004. The terms and conditions of the Notes and related matters are set forth in the Indenture dated as of September 10, 1997, between us and The Bank of New York, as trustee, (the “*Indenture*”) and, pursuant to Sections 2.2 and 10.4 of the Indenture, the Officers’ Certificate filed as Exhibit 4.2 hereto.

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ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) The following exhibits are filed as part of this Report:

- 1.1 Underwriting Agreement, dated August 5, 2004, by and among Safeway Inc. and Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., Barclays Capital Inc., BNP Paribas Securities Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wachovia Capital Markets, LLC, Piper Jaffray & Co. and Wells Fargo Securities, LLC.
- 4.1 Indenture, dated as of September 10, 1997, between Safeway Inc. and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant' s Form 8-K dated September 10, 1997).
- 4.2 Officers' Certificate, dated as of August 12, 2004, pursuant to Sections 2.2 and 10.4 of the Indenture.
- 4.3 Form of 4.950% Note Due 2010.
- 4.4 Form of 5.625% Note Due 2014.

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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 hereunto duly authorized.

Dated: August 12, 2004

SAFEWAY INC.

By: /s/ Robert A. Gordon  
Robert A. Gordon  
Senior Vice President and General Counsel

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## EXHIBIT INDEX

- 1.1 Underwriting Agreement, dated August 5, 2004, by and among Safeway Inc. and Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., Barclays Capital Inc., BNP Paribas Securities Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wachovia Capital Markets, LLC, Piper Jaffray & Co. and Wells Fargo Securities, LLC.
- 4.1 Indenture, dated as of September 10, 1997, between Safeway Inc. and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant' s Form 8-K dated September 10, 1997).
- 4.2 Officers' Certificate, dated as of August 12, 2004, pursuant to Sections 2.2 and 10.4 of the Indenture.
- 4.3 Form of 4.950% Note Due 2010.
- 4.4 Form of 5.625% Note Due 2014.

SAFEWAY INC.

\$750,000,000

\$500,000,000 4.950% NOTES DUE 2010

\$250,000,000 5.625% NOTES DUE 2014

UNDERWRITING AGREEMENT

August 5, 2004

Citigroup Global Markets Inc.  
Deutsche Bank Securities Inc.  
Goldman, Sachs & Co.

as Representatives of the several Underwriters  
named in Schedule I hereto

c/o Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004

Dear Sirs and Mesdames:

Safeway Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters") \$500,000,000 aggregate principal amount of its 4.950% Notes Due 2010 (the "Notes Due 2010") and \$250,000,000 aggregate principal amount of its 5.625% Notes Due 2014 (the "Notes Due 2014") (collectively, the "Securities") to be issued pursuant to the provisions of an Indenture dated as of September 10, 1997 (the "Indenture") between the Company and The Bank of New York, as Trustee (the "Trustee").

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement (Registration No. 333-117692), including a prospectus, relating to the Securities and has filed with, or transmitted for filing to, or shall promptly hereafter file with or transmit for filing to, the Commission (i) a prospectus supplement (the "Prospectus Supplement") specifically relating to the Securities pursuant to Rule 424 under the Securities Act of 1933, as amended (the "Securities Act"), and (ii) a related prospectus dated August 4, 2004 (the "Base Prospectus"). The term "Registration Statement" means the registration statement (Registration No. 333-117692), as amended to the date of this Underwriting Agreement (this "Agreement"), including the information (if any) deemed to be part of such registration statement at the time it became effective pursuant to Rule 430A under the Securities Act (the "Rule 430A Information"). If the Company has filed or files an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement. The term "Prospectus" means the Base Prospectus together with the Prospectus Supplement. The term "preliminary prospectus" means a preliminary prospectus supplement specifically relating to the Securities, together with the Base Prospectus. As used herein, the terms "Base Prospectus," "Prospectus," and "preliminary prospectus" shall include in each case the documents incorporated by reference therein, and the term "Registration Statement" shall include the documents incorporated or deemed to be incorporated by reference therein. The terms "supplement," "amendment" and "amend" as used herein shall include all documents deemed to be incorporated by reference in the Prospectus that are filed subsequent to the date of the Base Prospectus by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").



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1. **Representations and Warranties.** The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement (other than any Rule 462 Registration Statement) has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and such Registration Statement, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this Section 1(b) do not apply (A) to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter expressly for use therein or (B) to that part of the Registration Statement that constitutes the Statement of Eligibility (Form T-1) (the “Form T-1”) under the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), of the Trustee.

(c) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder.

(d) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its properties and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in the State of California and in each other jurisdiction in which such qualification is required, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) Each subsidiary, if any, of the Company which is a “significant subsidiary” as defined in Rule 405 of Regulation C of the Securities Act (each a “Significant Subsidiary”) has been duly incorporated and is validly existing as a corporation and in good standing under the laws of the jurisdiction of its incorporation.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The Indenture has been duly qualified under the Trust Indenture Act and has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors’ rights generally and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.

(h) The Securities have been duly authorized by the Company and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, will be entitled to the benefits of the Indenture and will be valid and legally binding obligations of the Company, enforceable in accordance with their terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights generally and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Indenture and the Securities will not result in any violation of the Restated Certificate of Incorporation or the By-Laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any statute or any order, rule or regulation of any governmental body, agency or court having jurisdiction over the Company or any subsidiaries, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency having jurisdiction over the Company is required for the performance by the Company of its obligations under this Agreement, the Indenture and the Securities, except such as may be required under the Securities Act and the rules and regulations thereunder, and the Exchange Act and the rules and regulations thereunder, the Trust Indenture Act and the securities or Blue Sky laws of the various states in connection with the offer and sale of the Securities.

(j) The financial statements (together with the related notes thereto) incorporated by reference in the Registration Statement and the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries as of and at the dates indicated and the results of their operations for the periods specified, except as otherwise disclosed therein; and except as otherwise stated therein or in the Registration Statement and the Prospectus, said financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis.

(k) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus.

(l) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending or, to the Company's knowledge, threatened, to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(m) The Company is not an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

2. **Agreement to Sell and Purchase.** The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective principal amounts of Securities set forth in Schedule I hereto opposite its name at a purchase price of 99.2835% of the principal amount of the Notes Due 2010 and 99.145% of the principal amount of the Notes Due 2014.

3. **Terms of Public Offering.** The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Securities as soon after this Agreement has become effective as in your judgment is advisable. The Company is further advised by you that the Securities are to be offered to the public initially at 99.896% of the principal amount of the Notes Due 2010 and 99.795% of the principal amount of the Notes Due 2014 (the "Public Offering Prices") plus, in each case, accrued interest, if any, from August 12, 2004 to the date of payment and delivery, and to certain dealers selected by you at a price that represents a concession not in excess of 0.375%, in the case of the Notes Due 2010, and 0.400%, in the case of the Notes Due 2014, of their respective principal amounts under the applicable Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of 0.250%, in the case of the Notes Due 2010, and 0.250%, in the case of the Notes Due 2014, of their respective principal amounts, to any Underwriter or to certain other dealers.

4. **Payment and Delivery.** Payment for the Securities shall be made in Federal or other immediately available funds to an account designated by the Company at 7:00 A.M., California time, on August 12, 2004, or at such other time on the same or such other date, not later than August 19, 2004, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Closing Date."

Payment for the Securities shall be made against delivery to you for the respective accounts of the several Underwriters of global certificates representing the Securities registered in the name of Cede & Co. with any transfer taxes payable in connection with the transfer of the Securities to the Underwriters duly paid.

5. **Conditions to the Underwriters' Obligations.** The obligation of the Company to sell the Securities to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Securities are subject to the following conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Securities on the terms and in the manner contemplated in the Prospectus; and

(iii) the Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened by the Commission.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in clause (a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied in all material respects with all of the agreements and satisfied in all material respects all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date (the officer signing and delivering such certificate may rely upon his or her knowledge as to proceedings threatened).

(c) Latham & Watkins LLP, special counsel for the Company, shall have furnished to you their written opinion dated the Closing Date, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated under the General Corporation Law of the State of Delaware, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus. Based on certificates from public officials, such firm shall confirm that the Company is validly existing and in good standing under the laws of the State of Delaware.

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(ii) The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action of the Company, and this Agreement has been duly executed and delivered by the Company.

(iii) The Indenture (a) has been qualified under the Trust Indenture Act of 1939, as amended, (b) has been duly authorized by all necessary corporate action of the Company and duly executed and delivered by the Company and (c) is the legally valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

(iv) The Securities have been duly authorized by all necessary corporate action of the Company, have been duly executed by the Company, and when duly issued and authenticated in accordance with the terms of the Indenture and delivered to and paid for by you in accordance with the terms of this Agreement, the Securities will be legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

(v) The Registration Statement has become effective under the Securities Act. To the best of such firm's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued under the Securities Act and no proceedings therefor have been initiated by the Commission. Any required filing of the Prospectus pursuant to Rule 424 under the Securities Act has been made in accordance with Rule 424 under the Securities Act.

(vi) The Registration Statement (including, if applicable, the Rule 430A information), as of the date it was declared effective, and the Prospectus, as of the date of the Prospectus Supplement, complied as to form in all material respects with the requirements for registration statements on Form S-3 under the Securities Act and the rules and regulations of the Commission thereunder; it being understood, however, that such firm need express no opinion with respect to Regulation S-T or the financial statements, schedules or other financial data included in, incorporated by reference in or omitted from the Registration Statement or the Prospectus or with respect to the Statement of Eligibility of the Trustee on Form T-1 (the "Form T-1"). For purposes of this paragraph, such firm may have assumed that the statements made in the Registration Statement and the Prospectus, are correct and complete.

(vii) The Securities and the Indenture conform in all material respects to the descriptions thereof in the Prospectus under the captions "Description of the Notes" and "Description of Debt Securities," in each case insofar as such statements are summaries of legal matters.

(viii) The issue and sale of the Securities being delivered on the date hereof by the Company and the compliance by the Company with the provisions of this Agreement and the Indenture on the date hereof do not:

(1) violate the Company's Governing Documents; or

(2) result in the breach of or a default under any of the indentures relating to the Company's Floating Rate Notes due 2005, 2.50% Notes due 2005, 4.125% Notes due 2008, 3.80% Notes due 2005, 5.80% Notes due 2012, 4.80% Notes due 2007, 6.15% Notes due 2006, 6.50% Notes due 2011, 7.25% Debentures due 2031, 7.25% Notes due 2004, 7.50% Notes due 2009, 9.30% Senior Secured Debentures due 2007, 9.875% Senior Subordinated Debentures due 2007, 6.85% Senior Notes due 2004, 7.00% Senior Notes due 2007, 6.50% Notes due 2008 or 7.45% Senior Debentures due 2027 or the Bank Credit Agreement dated as of May 24, 2001 between the Company and a consortium of banks led by Deutsche Banc Alex. Brown Inc. and J.P. Morgan Securities Inc., as co-arrangers, as amended; or

(3) violate any federal, New York or California statute, rule or regulation applicable to the Company; or

(4) require any consents, approvals or authorizations to be obtained by the Company, or any, registrations, declarations or filings to be made by the Company, in each case under any federal, New York or California statute, rule or regulation applicable to the Company that have not been obtained or made.

(ix) Each of the Incorporated Documents, as of its respective filing or effective date, appeared on its face to comply as to form in all material respects with the applicable requirements for reports on Forms 10-K, 10-Q and 8-K and proxy statements under Regulation 14A, as the case may be, under the Exchange Act, and the rules and regulations of the Commission thereunder, and for Registration Statements on Form 8-A under the Exchange Act and the rules and regulations of the Commission thereunder applicable to the portion incorporated; it being understood, however, that such firm need express no opinion with respect to Regulation S-T or the financial statements, schedules or other financial data included in, incorporated by reference in, or omitted from such reports, proxy statements and registration statements or with respect to the Form T-1. In passing upon the compliance as to form of the Incorporated Documents, such firm may assume that the statements made therein are correct and complete. "Incorporated Documents" means the reports and proxy and registration statements filed by the Company with the Commission and incorporated or deemed to be incorporated by reference in the Registration Statement or the Prospectus.

(x) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

In rendering such opinion, such counsel may state that they express an opinion only as to federal laws, New York and California law and the General Corporation Law of the State of Delaware. Such opinion may also be subject to customary assumptions and limitations, including that opinions on enforceability may be subject to the following exceptions, limitations and qualifications: (i) the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights and remedies of creditors; (ii) the effect of general principles of equity, whether enforcement is considered in a proceeding in equity or at law, and the discretion of the court before which any proceeding thereof may be brought; (iii) the unenforceability under certain circumstances under law or court decisions of provisions providing for the indemnification of or contribution to a party with respect to a liability where such indemnification or contribution is contrary to public policy; (iv) such counsel need not express an opinion concerning the enforceability of the waiver of rights or defenses contained in Section 4.4 of the Indenture; (v) such counsel need not express an opinion with respect to Sections 10.15 and 10.16 of the Indenture; (vi) such counsel need not express an opinion with respect to whether acceleration of the Notes may affect the collectibility of that portion of the stated principal amount thereof which might be determined to constitute unearned interest thereon; and (vii) the unenforceability of any provision requiring the payment of attorneys' fees, except to the extent a court determines such fees to be reasonable.

In addition, such counsel shall provide a separate letter to the effect that such counsel has reviewed the Registration Statement and Prospectus and the Incorporated Documents, participated in conferences and, if applicable, telephone conversations with officers and other representatives of the Company, representatives of the independent public accountants for the Company, and representatives of the Underwriters and counsel to the Underwriters, during which conferences and, if applicable, conversations the contents of the Registration Statement and the Prospectus and portions of certain of the Incorporated Documents and related matters were discussed, and reviewed and relied upon certain corporate records and documents, letters from counsel and accountants, and oral and written statements of officers and other representatives of the Company and others as to the existence and consequence of certain factual and other matters, and, although such counsel is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements contained or incorporated by reference in the Registration Statement and the Prospectus or the Incorporated Documents (except to the extent expressly set forth in (vii) above) and has not made any independent check or verification thereof (except as aforesaid), based on such participation, review and reliance, no facts came to such counsel's attention that caused such counsel to believe that the Registration Statement, at the time it became effective (together with the Incorporated Documents and, if applicable, the Rule 430A Information), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as of the date of the Prospectus Supplement or as of the Closing Date (together with the Incorporated Documents), contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; it being understood that such counsel need express no belief with respect

to Regulation S-T, the financial statements, schedules or other financial data included or incorporated by reference in, or omitted from, the Registration Statement or the Prospectus or the Incorporated Documents or the Form T-1.

(d) Robert A. Gordon, Senior Vice President and General Counsel of the Company, shall have furnished to you his written opinion, dated the Closing Date, in form and substance satisfactory to you, to the effect that:

(i) the Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which its ownership or lease of substantial properties or the conduct of its business requires such qualification, and in which the failure to be so qualified and in good standing would have a material adverse effect upon the Company and its subsidiaries considered as a whole;

(ii) based solely on certificates from public officials, each Significant Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus; and to the best of such counsel' s knowledge has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which its ownership or lease of substantial properties or the conduct of its business requires such qualification, and in which failure to be so qualified and in good standing would have a material adverse effect upon the Company and its subsidiaries considered as a whole; and all of the issued and outstanding capital stock of each such Significant Subsidiary has been duly authorized and validly issued and is fully paid and non-assessable, and the capital stock owned by the Company in each such subsidiary is owned by the Company free and clear of any mortgage, pledge, lien, encumbrance, claim or equity;

(iii) to the best of such counsel' s knowledge there are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject, required to be described in the Prospectus, which are not described as required; and

(iv) the issue and sale of the Securities being delivered at the Closing Date by the Company and the application of the net proceeds therefrom as contemplated under "Use of Proceeds" in the Prospectus Supplement, and the compliance by the Company with all of the provisions of this Agreement will not conflict with or result in a material breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument relating to indebtedness in excess of \$25 million to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject.



(e) The Underwriters shall have received on the Closing Date an opinion of Sidley Austin Brown & Wood LLP, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in the first clause of subparagraph (i), subparagraphs (ii), (iii), (iv), (v), (vi), (vii), and the last paragraph of paragraph (c) above and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

The opinions of Latham & Watkins LLP and Robert A. Gordon described in paragraphs (c) and (d) above shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(f) The Underwriters shall have received, on the Closing Date, a letter dated the Closing Date, in form and substance satisfactory to the Underwriters, from Deloitte & Touche LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that such letter shall use a "cut-off date" not earlier than the date hereof.

(g) At the date of this Agreement, the Company shall have furnished for review by the Underwriters copies of such further information, certificates and documents as they may reasonably request.

(h) If the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have become effective by 10:00 p.m., Washington, D.C. time, on the date of this Agreement.

6. **Covenants of the Company.** In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, a signed copy of the Registration Statement (including exhibits thereto) and documents incorporated by reference and to each Underwriter a copy of the Registration Statement (without exhibits thereto but including documents incorporated by reference) and to furnish to you in New York City without charge prior to 5:00 p.m. local time on the business day next succeeding the date of this Agreement, and during the period mentioned in paragraph (c) below, as many copies of the Prospectus, any documents incorporated therein by reference, and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Securities as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Securities may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earnings statement that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) During the period beginning on the date hereof and continuing to and including the Closing Date, not to offer, sell, contract to sell or otherwise dispose of any debt securities of the Company or warrants to purchase debt securities of the Company substantially similar to the Securities (other than (i) the Securities or (ii) commercial paper issued in the ordinary course of business), without the prior written consent of Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Goldman, Sachs & Co.

(g) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and Company's accountants in connection with the registration and delivery of the Securities under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers in the quantities hereinabove specified, (ii) the preparation, issuance and delivery of the Securities; (iii) the fees and disbursements of the Trustee and its counsel; (iv) all expenses in connection with the qualification of the Securities for offer and sale under state securities laws as provided in Section 6(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any Blue Sky memorandum, (v) the printing and delivery to the Underwriters of copies of any Blue Sky memorandum; (vi) any fees charged by rating agencies for the rating of the Securities; (vii) the cost of printing

certificates representing the Securities, (viii) the costs and expenses of the Company relating to investor presentations on any “road show” undertaken in connection with the marketing of the offering, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered by the Company in connection with the road show, (ix) all other costs and expenses of the Company in connection with the performance of its obligations hereunder for which provision is not otherwise made in this Section and (x) any other costs and expenses of others in connection with the performance of the Company’s obligations hereunder which have been previously approved by the Company. It is understood, however, that except as provided in this Section, Section 7 entitled “Indemnity and Contribution”, and the last paragraph of Section 9 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Securities by them, the costs and expenses of the Underwriters relating to investor presentations on any “road shows” undertaken in connection with the marketing of the Securities and any advertising expenses connected with any offers they may make.

## **7. Indemnity and Contribution.**

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Underwriter or any such controlling person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein; *provided, however*, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Securities, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Securities to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either paragraph (a) or (b) of this Section 7, such person (the “indemnified party”) shall promptly notify the person against whom such indemnity may be sought (the “indemnifying party”) in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Goldman, Sachs & Co., in the case of parties indemnified pursuant to paragraph (a) above, and by the Company, in the case of parties indemnified pursuant to paragraph (b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in paragraph (a) or (b) of this Section 7 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Securities shall be deemed to be in the same respective proportions as the aggregate net proceeds from the offering of the Securities (before deducting expenses) received by the Company and the aggregate underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Securities. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the respective principal amounts of Securities they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) of this Section 7. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be

entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 7 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Securities.

8. **Termination.** This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, either of the New York Stock Exchange or the National Association of Securities Dealers, Inc., (ii) trading of any securities of the Company shall have been suspended or materially limited on any exchange or in any over-the-counter market, (iii) there has occurred a material disruption in securities settlement or clearance services, (iv) a general moratorium on commercial banking activities in New York or California shall have been declared by either Federal or New York State or California authorities or (v) there shall have occurred any outbreak or escalation of hostilities or any change in the financial markets in the United States or in the international financial markets or any calamity or crisis, that, in the judgment of Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Goldman, Sachs & Co. is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (v), such event, singly or together with any other such event, makes it, in the judgment of Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Goldman, Sachs & Co. impracticable to market the Securities on the terms and in the manner contemplated in the Prospectus.

9. **Effectiveness: Defaulting Underwriters.** This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date, any one or more of the Underwriters shall fail or refuse to purchase Securities that it has or they have agreed to purchase hereunder on such date, and the aggregate principal amount of Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate principal amount of the Securities to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the principal amount of Securities set forth opposite their respective names in Schedule I bear to the principal amount of Securities set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the principal amount of Securities that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 9 by an amount in excess of one-ninth of such principal amount of Securities without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Securities and the aggregate

principal amount of Securities with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Securities to be purchased on such date, and arrangements satisfactory to you and the Company for the purchase of such Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder; *provided, however*, that no such reimbursement shall be required with respect to a termination of this Agreement by the Underwriters pursuant to Section 8 or this Section 9.

10. **Counterparts.** This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

12. **Headings.** The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

**[Signature Page Follows]**

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Very truly yours,

Safeway Inc.

By:  /s/ Bradley S. Fox

Name: Bradley S. Fox

Title: Vice President and Treasurer

Accepted as of the date hereof

Citigroup Global Markets Inc.

Deutsche Bank Securities Inc.

Goldman, Sachs & Co.

By:  /s/ Goldman, Sachs & Co.

(Goldman, Sachs & Co.)

On behalf of each of the Underwriters



SCHEDULE I

<u>Underwriter</u>	<u>Principal Amount of Notes Due 2010 to be Purchased</u>	<u>Principal Amount of Notes Due 2014 to be Purchased</u>
Citigroup Global Markets Inc.	\$ 125,000,000	\$ 62,500,000
Deutsche Bank Securities Inc.	\$ 125,000,000	\$ 62,500,000
Goldman, Sachs & Co.	\$ 125,000,000	\$ 62,500,000
Barclays Capital Inc.	\$ 26,250,000	\$ 13,125,000
BNP Paribas Securities Corp.	\$ 26,250,000	\$ 13,125,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$ 26,250,000	\$ 13,125,000
Wachovia Capital Markets, LLC	\$ 26,250,000	\$ 13,125,000
Piper Jaffray & Co.	\$ 10,000,000	\$ 5,000,000
Wells Fargo Securities, LLC	\$ 10,000,000	\$ 5,000,000
Total	\$ 500,000,000	\$ 250,000,000

**SAFEWAY INC.**  
OFFICERS' CERTIFICATE PURSUANT TO  
SECTIONS 2.2 AND 10.4 OF THE INDENTURE

Robert L. Edwards and Bradley S. Fox do hereby certify that they are the Executive Vice President and Chief Financial Officer, and the Vice President and Treasurer, respectively, of Safeway Inc., a Delaware corporation (the "Company"), and do further certify, pursuant to resolutions of the Board of Directors of the Company adopted on July 2, 2002 and July 23, 2004 (the "Resolutions"), and in accordance with Sections 2.2 and 10.4 of the Indenture (the "Indenture") dated as of September 10, 1997 between the Company and The Bank of New York, as trustee (the "Trustee"), as follows:

1. Attached hereto as Annex A is a true and correct copy of a specimen note (the "Form of 6-Year Note") representing the Company's 4.950% Notes Due 2010 (the "6-Year Notes") and attached hereto as Annex B is a true and correct copy of a specimen note (the "Form of 10-Year Note") representing the Company's 5.625% Notes Due 2014 (the "10-Year Notes"). The Form of 6-Year Note and the Form of 10-Year Note are herein collectively referred to as the "Forms of Notes." The 6-Year Notes and the 10-Year Notes are each a separate series of Securities under the Indenture and are referred to herein collectively as the "Notes."

The Company is issuing initially \$500 million aggregate principal amount of the 6-Year Notes and \$250 million aggregate principal amount of the 10-Year Notes. The Company may issue additional 6-Year Notes and/ or 10-Year Notes from time to time after the date hereof, and such Notes will be treated as part of the respective series of Notes for all purposes under the Indenture. No additional 6-Year Notes or 10-Year Notes may be issued if an Event of Default has occurred with respect to such 6-Year Notes or 10-Year Notes.

2. The Forms of Notes set forth certain of the terms required to be set forth in this certificate pursuant to Section 2.2 of the Indenture, and said terms are incorporated herein by reference. The 6-Year Notes were issued at the initial public offering price of 99.896% of principal amount and the 10-Year Notes were issued at the initial public offering price of 99.795% of principal amount.

3. In addition to the covenants set forth in Article IV of the Indenture, each of the 6-Year Notes and the 10-Year Notes shall include the following additional covenants, and such additional covenants shall be subject to covenant defeasance pursuant to Section 8.4 of the Indenture:

“Section 4.7 Limitation on Liens.

The Company shall not, nor shall it permit any of its Subsidiaries to, create, incur, or permit to exist, any Lien on any of their respective properties or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, in order to secure any Indebtedness of the Company, without effectively providing that such series of Notes shall be equally and ratably secured until such time as such Indebtedness is no longer secured by such Lien, except: (i) Liens existing as of August 12, 2004 (the "Closing Date"); (ii) Liens granted after the Closing Date on any assets or properties of the Company or any of its Subsidiaries securing Indebtedness of the Company created in favor of the Holders of the Notes of such series; (iii) Liens securing Indebtedness of the Company which is incurred to extend, renew or refinance Indebtedness which is secured by Liens permitted to be incurred under the Indenture; provided that such Liens do not extend to or cover any property or assets of the Company or any of its

Subsidiaries other than the property or assets securing the Indebtedness being refinanced and that the principal amount of such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced; (iv) Permitted Liens; and (v) Liens created in substitution of or as replacements for any Liens permitted by the preceding clauses (i) through (iv), provided that, based on a good faith determination of an officer of the Company, the property or asset encumbered under any such substitute or replacement Lien is substantially similar in nature to the property or asset encumbered by the otherwise permitted Lien which is being replaced.

Notwithstanding the foregoing, the Company and any Subsidiary of the Company may, without securing any series of Notes, create, incur or permit to exist Liens which would otherwise be subject to the restrictions set forth in the preceding paragraph, if after giving effect thereto and at the time of determination, Exempted Debt does not exceed the greater of (i) 10% of Consolidated Net Tangible Assets or (ii) \$350,000,000.

#### Section 4.8 Limitation on Sale and Lease-Back Transactions.

The Company shall not, nor shall it permit any of its Subsidiaries to, enter into any sale and lease-back transaction for the sale and leasing back of any property or asset, whether now owned or hereafter acquired, of the Company or any of its Subsidiaries (except such transactions (i) entered into prior to the Closing Date or (ii) for the sale and leasing back of any property or asset by a Subsidiary of the Company to the Company or (iii) involving leases for less than three years or (iv) in which the lease for the property or asset is entered into within 120 days after the later of the date of acquisition, completion of construction or commencement of full operations of such property or asset) unless (a) the Company or such Subsidiary would be entitled under Section 4.7 to create, incur or permit to exist a Lien on the assets to be leased in an amount at least equal to the Attributable Liens in respect of such transaction without equally and ratably securing the Notes of that series or (b) the proceeds of the sale of the assets to be leased are at least equal to their fair market value and the proceeds are applied to the purchase or acquisition (or in the case of real property, the construction) of assets or to the repayment of Indebtedness of the Company or a Subsidiary of the Company which by its terms matures not earlier than one year after the date of such repayment.”

4. In addition to the Events of Default set forth in Section 6.1 of the Indenture each of the Notes shall include the following additional Event of Default, which shall be deemed an Event of Default under Section 6.1(g) of the Indenture:

“acceleration of \$150,000,000 or more, individually or in the aggregate, in principal amount of Indebtedness of the Company under the terms of the instrument under which such Indebtedness is issued or secured, except as a result of compliance with applicable laws, orders or decrees, if such Indebtedness shall not have been discharged or such acceleration is not annulled within 10 days after written notice.”

5. In addition to the definitions set forth in Article I of the Indenture, each of the Notes shall include the following additional definitions, which, in the event of a conflict with the definition of terms in the Indenture, shall control:

“Attributable Liens” means in connection with a sale and lease-back transaction the lesser of (a) the fair market value of the assets subject to such transaction and (b) the present value (discounted at a rate per annum equal to the average interest borne by all outstanding Securities issued under the Indenture determined on a weighted average basis and compounded semi-annually) of the obligations of the lessee for rental payments during the term of the related lease.

“Bank Credit Agreement” means the Credit Agreement dated as of May 24, 2001 among the Company and Canada Safeway Limited, as borrowers, Deutsche Banc Alex. Brown Inc. and J.P. Morgan Securities Inc., as co-arrangers, The Bank of Nova Scotia, as administrative agent, Deutsche Bank AG New York Branch, The Chase Manhattan Bank, Bank of America N.A. and Citicorp USA, Inc., as syndication agents, US Bank National Association, as documentation agent, and the other agents and lenders which are parties thereto, as such agreement may be amended (including any amendment, restatement, refinancing and successors thereof), supplemented or otherwise modified from time to time, including any increase in the principal amount of the obligations thereunder.

“Capital Lease” means any Indebtedness represented by a lease obligation of a person incurred with respect to real property or equipment acquired or leased by such person and used in its business that is required to be recorded as a capital lease in accordance with GAAP.

“Consolidated Net Tangible Assets” means the total amount of assets of the Company and its Subsidiaries (less applicable depreciation, amortization and other valuation reserves) after deducting therefrom (i) all current liabilities of the Company and its Subsidiaries and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expenses and other like intangibles, determined on a consolidated basis in accordance with GAAP.

“Currency Agreement” means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Company or any of its Subsidiaries against fluctuations in currency values.

“Exempted Debt” means the sum of the following as of the date of determination: (i) Indebtedness of the Company incurred after the Closing Date and secured by Liens not otherwise permitted by the first sentence under Section 4.7, and (ii) Attributable Liens of the Company and its Subsidiaries in respect of sale and lease-back transactions entered into after the Closing Date, other than sale and lease-back transactions permitted by the limitation on sale and lease-back transactions set forth under Section 4.8. For purposes of determining whether or not a sale and lease-back transaction is “permitted” by Section 4.8, the last paragraph under Section 4.7 (creating an exception for Exempted Debt) will be disregarded.

“Indebtedness” of any person means, without duplication, any indebtedness, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements with respect thereto) or representing the balance deferred and unpaid of the purchase price of any property (including pursuant to Capital Leases), except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness would appear as a liability upon a balance sheet of such person prepared on a consolidated basis in accordance with GAAP (but does not include contingent liabilities which appear only in a footnote to a balance sheet), and shall also include, to the extent not otherwise included, the guaranty of items which would be included within this definition.

“Interest Swap Obligations” means the obligations of any person pursuant to any interest rate swap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect such person or any of its Subsidiaries against fluctuations in interest rates.

“Joint Venture” means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form; provided that, as to any such arrangement in corporate form, such corporation shall not, as to any person of which such corporation is a Subsidiary, be considered to be a Joint Venture to which such person is a party.

“Lien” means any lien, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

“Permitted Liens” means (i) Liens securing Indebtedness of the Company under the Bank Credit Agreement and any initial or subsequent renewal, extension, refinancing, replacement or refunding thereof; (ii) Liens on accounts receivable, merchandise inventory, equipment, and patents, trademarks, trade names and other intangibles, securing Indebtedness of the Company; (iii) Liens on any asset of the Company, any Subsidiary of the Company, or any Joint Venture to which the Company or any of its Subsidiaries is a party, created solely to secure obligations incurred to finance the refurbishment, improvement or construction of such asset, which obligations are incurred no later than 24 months after completion of such refurbishment, improvement or construction, and all renewals, extensions, refinancings, replacements or refundings of such obligations; (iv)(a) Liens given to secure the payment of the purchase price incurred in connection with the acquisition (including acquisition through merger or consolidation) of property (including shares of stock), including Capital Lease transactions in connection with any such acquisition, and (b) Liens existing on property at the time of acquisition thereof or at the time of acquisition by the Company or a Subsidiary of the Company of any person then owning such property whether or not such existing Liens were given to secure the payment of the purchase price of the property to which they attach; *provided* that, with respect to clause (a), the Liens shall be given within 24 months after such acquisition and shall attach solely to the property acquired or purchased and any improvements then or thereafter placed thereon; (v) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (vi) Liens upon specific items of inventory or other goods and proceeds of any person securing such person’s obligations in respect of bankers’ acceptances issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or other goods; (vii) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof; (viii) Liens on key-man life insurance policies granted to secure Indebtedness of the Company against the cash surrender value thereof; (ix) Liens encumbering customary initial deposits and margin deposits and other Liens in the ordinary course of business, in each case securing Indebtedness of the Company under Interest Swap Obligations and Currency Agreements and forward contract, option, futures contracts, futures options or similar agreements or arrangements designed to protect the Company or any of its Subsidiaries from fluctuations in interest rates, currencies or the price of commodities; (x) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any of its Subsidiaries in the ordinary course of business; and (xi) Liens in favor of the Company or any Subsidiary of the Company.

6. Each of the undersigned is authorized to approve the form, terms and conditions of the Notes pursuant to the Resolutions.

7. Attached hereto as Annex C are true and correct copies of the Resolutions.

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8. The Notes shall be issued as Global Securities (subject to exchange for definitive certificated Notes under the circumstances provided in the Indenture) and The Depository Trust Company shall be Depository for the Notes.

9. Attached hereto as Annex D is a true and correct copy of the letter addressed to the Trustee entitling the Trustee to rely on the Opinion of Counsel attached thereto, which Opinion relates to the Notes and complies with Section 10.4(b) of the Indenture.

10. Each of the undersigned has reviewed the provisions of the Indenture, including the covenants and conditions precedent pertaining to the issuance of the Notes.

10. In connection with this certificate each of the undersigned has examined documents, corporate records and certificates and has spoken with other officers of the Company.

12. Each of the undersigned has made such examination and investigation as is necessary to enable the undersigned to express an informed opinion as to whether or not the covenants and conditions precedent of the Indenture pertaining to the issuance of the Notes have been satisfied.

13. In our opinion all of the covenants and conditions precedent provided for in the Indenture for the issuance of the Notes have been satisfied.

Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Indenture or the Notes, as the case may be.

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IN WITNESS WHEREOF, each of the undersigned officers has executed this certificate this 12<sup>th</sup> day of August, 2004.

/s/ Robert L. Edwards

Robert L. Edwards

Executive Vice President and Chief Financial Officer

/s/ Bradley S. Fox

Bradley S. Fox

Vice President and Treasurer

**THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (THE “DEPOSITORY”), OR A NOMINEE THEREOF. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.**

**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**SAFEWAY INC.**  
4.950% Note Due 2010

No. X-1

\$500,000,000

CUSIP No. 786514 BL 2

SAFEWAY INC., a Delaware corporation (the “Company,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received promises to pay to

**CEDE & CO.**, or registered

assigns,

the principal sum of  
DOLLARS

**FIVE HUNDRED MILLION**

on August 16, 2010 and to pay interest thereon from August 12, 2004, or the most recent interest payment date to which interest has been paid or provided for, as the case may be, payable on February 16 and August 16 of each year, commencing February 16, 2005, at the rate of 4.950% per annum, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest is permitted by law) to pay interest at the rate per annum borne by this Security on any overdue principal and on any overdue installment of interest until paid. The interest so payable, and punctually paid or duly provided for, on any interest payment date will be paid to the person in whose name this Security (or one or more predecessor Securities) is registered at the close of business on the regular record date for such



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interest, which shall be the preceding February 2 and August 2, respectively (whether or not a Business Day). Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such regular record date and may either be paid to the person in whose name this Security (or one or more predecessor Securities) is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Company, notice whereof shall be given to the Trustee and the Holders not less than 10 days prior to such special record date, or be paid at any time in any other lawful manner. Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

Principal of and interest on the Securities will be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The transfer of the Securities will be registrable, the Securities may be presented for exchange, and notices and demands to or upon the Company in respect of this Security and the Indenture may be served, at the office or agency of the Company maintained for such purpose (which initially will be the Corporate Trust Office located at 101 Barclay Street, New York, New York 10286, Attention: Corporate Trust Administration); provided that, unless all of the outstanding Securities are Global Securities, the Company will at all times maintain an office or agency for such purposes in the Borough of Manhattan, The City of New York; and provided, further, that, except as provided in the next sentence, payment of interest may, at the option of the Company, be made by check mailed to the address of the person entitled thereto. If this Security is a Global Security, the interest payable on this Security will be paid to Cede & Co., the nominee of the Depositary, or its registered assigns as the registered owner of this Security, by wire transfer of immediately available funds on each of the applicable interest payment dates.

Reference is hereby made to the further provisions of this Security which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers.

Date: August 12, 2004

**SAFEWAY INC.**

BY

---

Robert L. Edwards

Executive Vice President and Chief Financial Officer

BY

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Robert A. Gordon

Senior Vice President and General Counsel

TRUSTEE' S CERTIFICATE  
OF AUTHENTICATION

This is one of the 4.950% Notes due  
August 16, 2010 described in the  
within-mentioned Indenture.

**THE BANK OF NEW YORK**

BY

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AUTHORIZED SIGNATORY

**SAFEWAY INC.**  
4.950% Note Due 2010

1. *General.*

This Security is one of a duly authorized series of securities of the Company issued and to be issued under an Indenture, dated as of September 10, 1997, as amended, modified or supplemented from time to time (the “Indenture”), between the Company and The Bank of New York, as Trustee (the “Trustee”, which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, originally issued in \$500,000,000 aggregate principal amount, subject to increase in accordance with the Indenture, (herein called the “Securities”). All terms used but not defined in this Security shall have the meanings assigned to them in the Indenture.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on this Security at the times, places and rate, and in the coin or currency, herein prescribed.

2. *Indenture.*

The terms of the Securities include those stated in the Indenture and those made part of the Indenture by the Officers’ Certificate dated August 12, 2004 delivered pursuant thereto and the TIA. The Securities are subject to all such terms, and the Securityholders are referred to the Indenture and said Act for a statement of them.

3. *Sinking Fund.*

The Securities are not subject to any sinking fund and the Securities are not subject to redemption or repurchase by the Company at the option of the Holders.

4. *Redemption.*

The Securities are redeemable in whole or in part at the option of the Company at any time at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury Rate plus 25 basis points. In each case the Company will pay accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

“Comparable Treasury Issue” means, with respect to any redemption date, the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Securities.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers that the Company appoints to act as the Independent Investment Banker from time to time.

“Reference Treasury Dealer” means, with respect to any redemption date, Citigroup Global Markets, Inc., Deutsche Bank Securities Inc. and Goldman, Sachs & Co. and their respective successors, and one other firm that is a primary U.S. Government securities dealer (each a “Primary Treasury Dealer”) which the Company specifies from time to time; provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Company will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of record of the Securities to be redeemed at its registered address.

5. *Denominations; Transfer; Exchange.*

This Security is issuable only in registered form without coupons in minimum denominations of U.S. \$2,000 and in integral multiples of \$1,000 in excess thereof.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer, or the exchange for an equal principal amount, of this Security is registrable with the Registrar upon surrender of this Security for registration of transfer at the office or agency of the Registrar.

No service charge shall be made for any such registration of transfer or exchange, but the Company may, subject to certain exceptions, require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

6. *Persons Deemed Owners.*

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Holder in whose name this Security is registered as the owner thereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

7. *Unclaimed Money.*

The Trustee and any Paying Agent shall pay to the Company upon request any money held by them for the payment of principal and interest that remains unclaimed for two years. After that, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

8. *Defeasance Prior to Maturity.*

The Indenture contains provisions for defeasance of (i) the entire indebtedness of the Securities or (ii) certain covenants and Events of Default with respect to the Securities, in each case upon compliance with certain conditions set forth therein.

9. *Amendment; Supplement; Waiver.*

Subject to certain limitations described in the Indenture, the Indenture permits the Company and the Trustee to enter into a supplemental indenture with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities (including consents obtained in connection with a tender offer or exchange offer for the Securities), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Securityholders. Subject to certain limitations described in the Indenture, the Holders of at least a majority in principal amount of the outstanding Securities by notice to the Trustee (including consents obtained in connection with a tender offer or exchange offer for the Securities) may waive compliance by the Company with any provision of the Indenture or the Securities. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

10. *Restrictive Covenants.*

The Indenture imposes certain limitations on the Company's and its Subsidiaries' ability to create or incur certain Liens on any of their respective properties or assets and to enter into certain sale and lease-back transactions and on the Company's ability to engage in mergers or consolidations or the conveyance, transfer or lease of all or substantially all of its properties and assets. These limitations are subject to a number of important qualifications and exceptions and reference is made to the Indenture for a description thereof.

11. *Defaults and Remedies.*

If an Event of Default shall occur and be continuing, the principal of the Securities may be declared (or, in certain cases, shall *ipso facto* become) due and payable in the manner and with the effect provided in the Indenture.

12. *Proceedings.*

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding, judicial or otherwise, with respect to the Indenture or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities and unless also the Holders of at least a majority in principal amount of the Securities at the time outstanding shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceedings as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities at the time outstanding a direction inconsistent with such request, and shall have failed to institute such proceeding, within 60 days. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of the principal hereof or any interest hereon on or after the respective due dates expressed herein.

13. *Trustee Dealings with Company.*

The Trustee under the Indenture, in its individual or any other capacity, may deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee.

14. *No Recourse Against Others.*

A past, present or future director, officer, employee, shareholder or incorporator, as such, of the Company or any successor corporation shall not have any liability for any obligations of the Company under this Security or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration of issuance of the Securities.

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15. *Governing Law.*

The internal laws of the State of New York shall govern the Indenture and the Securities.

**ABBREVIATIONS**

The following abbreviations, when used in the inscription on the face of this Security, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_

Custodian \_\_\_\_\_

TEN ENT -as tenants by the entireties

(Cust)

(Minor)

JT TEN - as joint tenants with right of survivorship and not as tenants in common

under Uniform Gifts to Minors

Act \_\_\_\_\_

(State)

Additional abbreviations may also be used though not in the above list.

**ASSIGNMENT**

**FOR VALUE RECEIVED**, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR

OTHER

IDENTIFYING NUMBER OF ASSIGNEE

| |

\_\_\_\_\_  
(Please print or typewrite name and address including postal zip code of assignee)

\_\_\_\_\_  
this Security and all rights thereunder hereby irrevocably constituting and appointing

\_\_\_\_\_, Attorney,  
to transfer this Security on the books of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
Notice: The signature(s) on this Assignment must correspond with the name(s) as written upon the face of this Security in every particular, without alteration or enlargement or any change whatsoever.

**THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (THE “DEPOSITARY”), OR A NOMINEE THEREOF. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY, BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.**

**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**SAFEWAY INC.**  
5.625% Note Due 2014

No. Y-1

\$250,000,000

CUSIP No. 786514 BM 0

SAFEWAY INC., a Delaware corporation (the “Company,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received promises to pay to

**CEDE & CO.**, or registered

assigns,

the principal sum of

**TWO HUNDRED AND FIFTY MILLION**

DOLLARS

on August 15, 2014 and to pay interest thereon from August 12, 2004, or the most recent interest payment date to which interest has been paid or provided for, as the case may be, payable on February 15 and August 15 of each year, commencing February 15, 2005, at the rate of 5.625% per annum, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest is permitted by law) to pay interest at the rate per annum borne by this Security on any overdue principal and on any overdue installment of interest until paid. The interest so payable, and punctually paid or duly provided for, on any interest payment date will be paid to the person in whose name this Security (or one or more predecessor Securities) is registered at the close of business on the regular record date for such



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interest, which shall be the preceding February 1 and August 1, respectively (whether or not a Business Day). Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such regular record date and may either be paid to the person in whose name this Security (or one or more predecessor Securities) is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Company, notice whereof shall be given to the Trustee and the Holders not less than 10 days prior to such special record date, or be paid at any time in any other lawful manner. Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

Principal of and interest on the Securities will be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The transfer of the Securities will be registrable, the Securities may be presented for exchange, and notices and demands to or upon the Company in respect of this Security and the Indenture may be served, at the office or agency of the Company maintained for such purpose (which initially will be the Corporate Trust Office located at 101 Barclay Street, New York, New York 10286, Attention: Corporate Trust Administration); provided that, unless all of the outstanding Securities are Global Securities, the Company will at all times maintain an office or agency for such purposes in the Borough of Manhattan, The City of New York; and provided, further, that, except as provided in the next sentence, payment of interest may, at the option of the Company, be made by check mailed to the address of the person entitled thereto. If this Security is a Global Security, the interest payable on this Security will be paid to Cede & Co., the nominee of the Depositary, or its registered assigns as the registered owner of this Security, by wire transfer of immediately available funds on each of the applicable interest payment dates.

Reference is hereby made to the further provisions of this Security which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers.

Date: August 12, 2004

**SAFEWAY INC.**

BY

\_\_\_\_\_  
Robert L. Edwards  
Executive Vice President and Chief Financial Officer

BY

\_\_\_\_\_  
Robert A. Gordon  
Senior Vice President and General Counsel

**TRUSTEE' S CERTIFICATE  
OF AUTHENTICATION**

This is one of the 5.625% Notes due  
August 15, 2014 described in the  
within-mentioned Indenture.

**THE BANK OF NEW YORK**

BY

\_\_\_\_\_  
AUTHORIZED SIGNATORY

1. *General.*

This Security is one of a duly authorized series of securities of the Company issued and to be issued under an Indenture, dated as of September 10, 1997, as amended, modified or supplemented from time to time (the “Indenture”), between the Company and The Bank of New York, as Trustee (the “Trustee”, which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, originally issued in \$250,000,000 aggregate principal amount, subject to increase in accordance with the Indenture (herein called the “Securities”). All terms used but not defined in this Security shall have the meanings assigned to them in the Indenture.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on this Security at the times, places and rate, and in the coin or currency, herein prescribed.

2. *Indenture.*

The terms of the Securities include those stated in the Indenture and those made part of the Indenture by the Officers’ Certificate dated August 12, 2004 delivered pursuant thereto and the TIA. The Securities are subject to all such terms, and the Securityholders are referred to the Indenture and said Act for a statement of them.

3. *Sinking Fund.*

The Securities are not subject to any sinking fund and the Securities are not subject to redemption or repurchase by the Company at the option of the Holders.

4. *Redemption.*

The Securities are redeemable in whole or in part at the option of the Company at any time at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury Rate plus 30 basis points. In each case the Company will pay accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

“Comparable Treasury Issue” means, with respect to any redemption date, the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Securities.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers that the Company appoints to act as the Independent Investment Banker from time to time.

“Reference Treasury Dealer” means, with respect to any redemption date, Citigroup Global Markets, Inc., Deutsche Bank Securities Inc. and Goldman, Sachs & Co. and their respective successors, and one other firm that is a primary U.S. Government securities dealer (each a “Primary Treasury Dealer”) which the Company specifies from time to time; provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Company will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of record of the Securities to be redeemed at its registered address.

5. *Denominations; Transfer; Exchange.*

This Security is issuable only in registered form without coupons in minimum denominations of U.S. \$2,000 and in integral multiples of \$1,000 in excess thereof.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer, or the exchange for an equal principal amount, of this Security is registrable with the Registrar upon surrender of this Security for registration of transfer at the office or agency of the Registrar.

No service charge shall be made for any such registration of transfer or exchange, but the Company may, subject to certain exceptions, require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

6. *Persons Deemed Owners.*

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Holder in whose name this Security is registered as the owner thereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

7. *Unclaimed Money.*

The Trustee and any Paying Agent shall pay to the Company upon request any money held by them for the payment of principal and interest that remains unclaimed for two years. After that, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

8. *Defeasance Prior to Maturity.*

The Indenture contains provisions for defeasance of (i) the entire indebtedness of the Securities or (ii) certain covenants and Events of Default with respect to the Securities, in each case upon compliance with certain conditions set forth therein.

9. *Amendment; Supplement; Waiver.*

Subject to certain limitations described in the Indenture, the Indenture permits the Company and the Trustee to enter into a supplemental indenture with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities (including consents obtained in connection with a tender offer or exchange offer for the Securities), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Securityholders. Subject to certain limitations described in the Indenture, the Holders of at least a majority in principal amount of the outstanding Securities by notice to the Trustee (including consents obtained in connection with a tender offer or exchange offer for the Securities) may waive compliance by the Company with any provision of the Indenture or the Securities. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

10. *Restrictive Covenants.*

The Indenture imposes certain limitations on the Company's and its Subsidiaries' ability to create or incur certain Liens on any of their respective properties or assets and to enter into certain sale and lease-back transactions and on the Company's ability to engage in mergers or consolidations or the conveyance, transfer or lease of all or substantially all of its properties and assets. These limitations are subject to a number of important qualifications and exceptions and reference is made to the Indenture for a description thereof.

11. *Defaults and Remedies.*

If an Event of Default shall occur and be continuing, the principal of the Securities may be declared (or, in certain cases, shall *ipso facto* become) due and payable in the manner and with the effect provided in the Indenture.

12. *Proceedings.*

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding, judicial or otherwise, with respect to the Indenture or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities and unless also the Holders of at least a majority in principal amount of the Securities at the time outstanding shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceedings as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities at the time outstanding a direction inconsistent with such request, and shall have failed to institute such proceeding, within 60 days. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of the principal hereof or any interest hereon on or after the respective due dates expressed herein.

13. *Trustee Dealings with Company.*

The Trustee under the Indenture, in its individual or any other capacity, may deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee.

14. *No Recourse Against Others.*

A past, present or future director, officer, employee, shareholder or incorporator, as such, of the Company or any successor corporation shall not have any liability for any obligations of the Company under this Security or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration of issuance of the Securities.

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15. *Governing Law.*

The internal laws of the State of New York shall govern the Indenture and the Securities.

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**ABBREVIATIONS**

The following abbreviations, when used in the inscription on the face of this Security, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common  
TEN ENT -as tenants by the entireties

UNIF GIFT MIN ACT - \_\_\_\_\_  
(Cust)

Custodian \_\_\_\_\_  
(Minor)

JT TEN - as joint tenants with right of survivorship and not as tenants in common

under Uniform Gifts to Minors Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

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**ASSIGNMENT**

**FOR VALUE RECEIVED**, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR  
OTHER

IDENTIFYING NUMBER OF ASSIGNEE

| \_\_\_\_\_ |

\_\_\_\_\_  
(Please print or typewrite name and address including postal zip code of assignee)

\_\_\_\_\_  
this Security and all rights thereunder hereby irrevocably constituting and appointing

\_\_\_\_\_, Attorney,  
to transfer this Security on the books of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Notice: The signature(s) on this Assignment must correspond with the name(s) as written upon the face of this Security in every particular, without alteration or enlargement or any change whatsoever.