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

FORM 10-Q

Mark One

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

For the quarterly period ended December 5, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 1-4141

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.
(Exact name of registrant as specified in charter)

Maryland	13-1890974
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2 Paragon Drive
Montvale, New Jersey 07645
(Address of principal executive offices)

(201) 573-9700
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [ ] NO [ ]

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

Large accelerated filer ___ Accelerated filer X Non-accelerated filer ___ Smaller reporting co

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

As of January 8, 2010, the Registrant had a total of 55,859,351 shares of common stock - $1 par value outstanding.

1

The Great Atlantic & Pacific Tea Company, Inc.
PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Statements of Operations
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	12 Weeks Ended		40 Weeks E
	Dec. 5, 2009	Nov. 29, 2008	Dec. 5, 2009
Sales	$ 1,962,692	$ 2,120,954	$ 6,817,996
Cost of merchandise sold	(1,372,108)	(1,460,569)	(4,759,185)
Gross margin	590,584	660,385	2,058,811
Store operating, general and administrative expense	(631,175)	(648,476)	(2,109,804)
Goodwill, trademark and long-lived asset impairment	(412,560)	--	(412,560)
(Loss) income from operations	(453,151)	11,909	(463,553)
Nonoperating (loss) income	(15,944)	22,777	(24,898)
Interest expense	(45,769)	(37,511)	(148,576)
Interest income	51	86	143
Loss from continuing operations before income taxes	(514,813)	(2,739)	(636,884)
Benefit from (provision for) income taxes	12,375	(1,038)	13,983
Loss from continuing operations	(502,438)	(3,777)	(622,901)
Discontinued operations:			
Loss from operations of discontinued businesses, net of tax provision of $0 for the 12 and 40 weeks ended 12/5/09 and 11/29/08, respectively	(57,148)	(12,466)	(82,154)
Gain on disposal of discontinued businesses, net of tax provision of $0 for the 12 and 40 weeks ended 12/5/09 and 11/29/08, respectively	--	1,831	--

Loss from discontinued operations	(57,148)	(10,635)	(82,154)	
Net loss	$ (559,586)	$ (14,412)	$ (705,055)	$
Net loss per share -- basic:				
Continuing operations	$ (9.43)	$ (0.07)	$ (11.76)	$
Discontinued operations	(1.07)	(0.20)	(1.55)	
Net loss per share -- basic	$ (10.50)	$ (0.27)	$ (13.31)	$
Net loss per share -- diluted:				
Continuing operations	$ (12.85)	$ (1.62)	$ (22.36)	$
Discontinued operations	(1.50)	(0.28)	(3.06)	
Net loss per share - diluted	$ (14.35)	$ (1.90)	$ (25.42)	$
Weighted average number of common shares outstanding				
Basic	53,420,248	52,391,948	53,139,840	
Diluted	37,993,212	37,908,889	26,844,195	

See Notes to Consolidated Financial Statement

2

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss
(Dollars in thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit)/ Retained Earnings	Ac
	Shares	Amount			
40 Weeks Ended December 5, 2009					
Balance as of 2/28/2009, as previously reported	57,674,799	$ 57,675	$ 438,300	$ (123,458)	
Impact of the adoption of FSP APB 14-1			26,379	(3,856)	
Balance as of 2/28/2009, as adjusted	57,674,799	57,675	464,679	(127,314)	
Net loss				(705,055)	
Other comprehensive loss					
Beneficial conversion feature related to preferred stock			10,246		
Dividends on preferred stock			(1,599)		
Preferred stock financing fees amortization			(209)		
Returned shares under Share					

Lending agreement	(1,000,000)	(1,000)	1,000	
Stock options exercised	10,380	10	33	
Other share based awards adjusted	673,934	674	4,009	
Balance at end of period	57,359,113	$ 57,359	$ 478,159	$ (832,369)
40 Weeks Ended November 29, 2008				
Balance as of 2/23/2008, as previously reported	57,100,955	$ 57,101	$ 373,594	$ 16,423
Impact of the adoption of FSP APB 14-1			26,379	(402)
Balance as of 2/23/2008, as adjusted	57,100,955	57,101	399,973	16,021
Net loss				(31,249)
Other comprehensive loss				
Conversion features related to convertible debt			57,422	
Stock options exercised	106,626	107	2,096	
Other share based awards adjusted	455,953	456	3,186	
Balance at end of period	57,663,534	$ 57,664	$ 462,677	(15,228)

Comprehensive Loss

	12 Weeks Ended		
	Dec. 5, 2009	Nov. 29, 2008	Dec
Net loss	$ (559,586)	$ (14,412)	$
Net unrealized (loss) gain on marketable securities, net of tax	(95)	--	
Pension and other post-retirement benefits, net of tax	(1,643)	(154)	
Other comprehensive loss, net of tax	(1,738)	(154)	
Total comprehensive loss	$ (561,324)	$ (14,566)	$

See Notes to Consolidated Financial Statements

3

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Balance Sheets
(Dollars in thousands except share amounts)
(Unaudited)

ASSETS	December 5, 2009
Current assets:	
Cash and cash equivalents	$ 281,842
Restricted cash	1,992
Restricted marketable securities	923
Accounts receivable, net of allowance for doubtful accounts of $8,331 and $8,463 at December 5, 2009 and February 28, 2009, respectively	179,035
Inventories, net	492,674
Prepaid expenses and other current assets	60,314
Total current assets	1,016,780
Non-current assets:	
Property:	
Property owned, net	1,450,599
Property leased under capital leases, net	119,022
Property, net	1,569,621
Goodwill	138,901
Intangible assets, net	166,688
Other assets	133,439
Total assets	$ 3,025,429
LIABILITIES & STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of long-term debt	$ 1,373
Current portion of obligations under capital leases	17,659
Accounts payable	241,481
Book overdrafts	85,527
Accrued salaries, wages and benefits	128,511
Accrued taxes	30,307
Other accruals	263,241
Total current liabilities	768,099
Non-current liabilities:	
Long-term debt	986,331
Long-term obligations under capital leases	140,048
Long-term real estate liabilities	329,505
Deferred real estate income	88,665
Other financial liabilities	29,664
Preferred stock liability	117,250
Other non-current liabilities	924,338
Total liabilities	3,383,900
Series A redeemable preferred stock--no par value, $1,000 redemption value; authorized -- 700,000 shares and none; issued -- 57,750 and none at Dec. 5, 2009 and Feb. 28, 2009, respectively	43,715
Commitments and contingencies (Note 19)	
Stockholders' (deficit) equity:	

Common stock--$1 par value; authorized -- 160,000,000 shares; issued and outstanding -- 57,359,113 and 57,674,799 shares at Dec. 5, 2009 and Feb. 28, 2009, respectively	57,359
Additional paid-in capital	478,159
Accumulated other comprehensive loss	(105,335)
Accumulated deficit	(832,369)
Total stockholders' (deficit) equity	(402,186)
Total liabilities and stockholders' (deficit) equity	$ 3,025,429

See Notes to Consolidated Financial Statements

4

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Dec
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$
Adjustments to reconcile net loss to net cash used in operating activities (see next page)	
Other changes in assets and liabilities:	
Decrease (increase) in receivables	
Increase in inventories	
Increase in prepaid expenses and other current assets	
Increase in other assets	
Increase in accounts payable	
Decrease in accrued salaries, wages and benefits, and taxes	
Increase (decrease) in other accruals	
Decrease in other non-current liabilities	
Other operating activities, net	
Net cash used in operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Expenditures for property	
Proceeds from disposal of property	
Proceeds from sale of joint venture	
Decrease in restricted cash	
Proceeds from maturities of marketable securities	
Net cash used in investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of long-term debt	
Principal payments on long-term debt	
Proceeds under revolving lines of credit	

Principal payments on revolving lines of credit	
Proceeds under line of credit	
Principal payments on line of credit	
Proceeds from issuance of preferred stock	
Proceeds from promissory note	
Settlement of Series A warrants	
Proceeds from long-term real estate liabilities	
Proceeds from sale-leaseback transaction	
Principal payments on capital leases	
Increase in book overdrafts	
Deferred financing fees	
Dividends paid	
Proceeds from stock options exercised	
Net cash provided by financing activities	
Effect of exchange rate changes on cash and cash equivalents	
Net increase in cash and cash equivalents	
Cash and cash equivalents at beginning of period	
Cash and cash equivalents at end of period	$

See Notes to Consolidated Financial Statements

5

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Statements of Cash Flows - Continued
(Dollars in thousands)
(Unaudited)

ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

	40 Wee
	Dec. 5, 2009
Depreciation and amortization	$ 191,385
Impairment of goodwill and trademark	371,740
Impairment of long-lived assets	45,986
Nonoperating loss (income)	24,898
Non-cash interest expense	35,101
Stock compensation expense	4,683
Provision for deferred income taxes	(12,013)
Asset disposition initiatives in the normal course of business	(2,167)
Asset disposition initiatives relating to discontinued operations	59,932
Non-cash occupancy charges for stores closed in the normal course of business	38,589
Gain on disposal of owned property and write-down of property, net	(1,228)
Gain on disposal of discontinued operations	--
Pension withdrawal costs	2,445
LIFO reserve	1,185
Total non-cash adjustments to net loss	$ 760,536

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	40 Wee
	Dec. 5, 2009
Cash paid during the year for interest	$ 92,736
Cash paid during the year for income taxes, net of refunds	$ 3,342

See Notes to Consolidated Financial Statements

6

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements
(Dollars in thousands, except share and per share amounts)
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying Consolidated Statements of Operations, Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss, and Consolidated Statements of Cash Flows for the 12 and 40 weeks ended December 5, 2009 and November 29, 2008, and the Consolidated Balance Sheets at December 5, 2009 and February 28, 2009 of The Great Atlantic & Pacific Tea Company, Inc. ("we," "our," "us" or "our Company") are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary for a fair statement of financial position and results of operations for such periods. The consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Fiscal 2008 Annual Report on Form 10-K. Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements include the accounts of our Company and all subsidiaries. All intercompany accounts and transactions have been eliminated.

Certain reclassifications have been made to prior year amounts to conform to current year presentation. Refer to Note 11 - Indebtedness and Other Financial Liabilities for reclassifications made upon our retroactive adoption of the new accounting guidance for convertible debt with cash settlement features.

Significant Accounting Policies

A summary of our significant accounting policies are found in our Annual Report on Form 10-K for the year ended February 28, 2009. There have been no significant changes in these policies during the 40 weeks ended December 5, 2009, except as described below.

Redeemable Preferred Stock. The initial carrying amount of our preferred stock issued in August 2009 was valued at fair value on the date of issuance, net of closing and issuance costs. Based on the terms of the preferred stock agreement, our preferred stock cannot be converted into more than 19.99% of the common stock outstanding prior to its issuance without shareholder approval. The shares that are convertible without shareholder approval are recorded within temporary stockholders' equity, and the shares requiring shareholder approval to become convertible are classified as a liability. Refer to Note 10 - Redeemable Preferred Stock for additional information relating to our preferred stock issuance.

Our preferred stock recorded within temporary stockholders' equity contains an embedded beneficial conversion feature since the fair value of our Company's common stock on the date of issuance was in excess of the effective conversion price. The embedded beneficial conversion feature was recorded by allocating a portion of the proceeds equal to the intrinsic value of the feature to Additional paid-in-capital. The intrinsic value of the feature is calculated on the issuance date by multiplying the difference between the quoted market price of our common stock and the effective conversion price by the number of common shares into which the shares recorded within temporary stockholders' equity convert. The resulting discount will be amortized over the period from the date of issuance to the stated redemption date into "Additional paid-in capital" in absence of retained earnings. We will record a beneficial conversion feature on the portion of the issuance currently classified within "Preferred stock liability" upon receiving

shareholder approval for conversion of those shares. See Note 20 - Subsequent Events for additional information relating to the accounting treatment upon shareholder approval.

Our "Preferred stock liability" was initially recorded at its fair value, with the related issuance cost amortization recorded within "Interest expense" over its life. Dividends relating to preferred stock classified as a liability are also recorded within "Interest expense". The portion of the issuance classified within temporary stockholders' equity is recorded at liquidation value, net of transaction costs and the embedded beneficial conversion feature. The discount for shares classified within temporary stockholders' equity is accreted through "Additional paid-in capital", in absence of retained earnings, over the period from the date of issuance to the earliest redemption date. Dividends relating to preferred stock recorded within temporary stockholders' equity are recorded within "Additional paid-in capital" in absence of retained earnings.

Recently Adopted Accounting Guidance

Convertible Debt. During the 16 weeks ended June 20, 2009, we adopted the new accounting guidance for convertible debt instruments that may be settled in cash upon conversion, which requires separate recognition of the liability and equity components of convertible debt instruments with cash settlement features in a manner that reflects an issuer's nonconvertible debt borrowing rate and accretion of the resulting debt discount over the expected life of the convertible debt. Financial statements for prior periods have been adjusted to reflect the retroactive application of this guidance. Refer to Note 11 - Indebtedness and Other Financial Liabilities for related disclosures and tables.

Other than Temporary Impairments. During the 16 weeks ended June 20, 2009, we adopted the amended accounting guidance for determining whether impairment in debt securities should be considered other-than-temporary and the related accounting and disclosure requirements. The adoption of this guidance did not have a material effect on our consolidated financial statements.

Fair Value Measurement. During the 16 weeks ended June 20, 2009, we adopted the new accounting guidance relating to fair value measurements of our nonrecurring nonfinancial assets and nonfinancial liabilities, which include goodwill, long lived assets and store exit costs, and are measured at fair value to test for and measure impairment, when necessary. Refer to Note 3 - Goodwill and Other Intangible Assets and Note 5 - Valuation of Long-Lived Assets for a summary of impairment charges recorded during the 12 and 40 weeks ended December 5, 2009.

During the 16 weeks ended June 20, 2009, we adopted the new accounting guidance for interim and annual disclosures of the fair value of financial instruments, and the methods and significant assumptions used to estimate fair value. Refer to Note 4 - Fair Value Measurements for related disclosures.

During the 16 weeks ended June 20, 2009, we adopted the new accounting guidance for determining fair value when the volume level of activity for the asset or liability has significantly decreased and identifying transactions that are not orderly, as well as the expanded fair value disclosure requirements for all equity and debt securities by major security type. Refer to Note 4 - Fair Value Measurements for related disclosures.

During the 12 weeks ended December 5, 2009, we adopted the new accounting guidance for estimating the fair value of a liability when a quoted price in an active market for the identical liability is not available. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Intangible Assets. During the 16 weeks ended June 20, 2009, we adopted the new accounting guidance relating to determining the useful life of intangible assets. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

Business Combinations. During the 16 weeks ended June 20, 2009, we adopted the new accounting guidance for business combinations for recognizing and measuring in the acquirer's financial statements of any noncontrolling interest in the acquiree, the identifiable assets and goodwill acquired and the liabilities assumed, including those that arose from contingencies. Our acquisition of Pathmark was not impacted by this guidance as it applies to transactions with acquisition dates during or after our fiscal 2009.

2. Recently Issued Accounting Pronouncements

Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). In September 2009, the Financial Accounting Standards Board ("FASB") issued new accounting guidance to allow net asset value to be used in estimating the fair value of alternative investments without readily determinable fair values. It also requires additional disclosures of redemption restrictions, unfunded commitments and investment strategies. This guidance is effective beginning with the 12 weeks ended February 27, 2010, with early adoption permitted. We are currently assessing the impact of this guidance on our consolidated financial statements.

Variable Interest Entities. In June 2009, the FASB issued new accounting guidance relating to consolidation of variable interest entities ("VIEs"), with additional disclosure requirements relating to involvement in VIEs. The new guidance is effective beginning in our fiscal 2010. We are currently assessing the impact of this guidance on our consolidated financial statements.

Share Lending Arrangements. In June 2009, the FASB issued new guidance on accounting for own-share lending arrangements in contemplation of convertible debt issuance or other financing, which requires share lending arrangements to be measured at fair value and recognized as a debt issuance cost, amortized using the effective interest method over the life of the financing arrangement as interest cost. The loaned shares are excluded from basic and diluted earnings per share, unless a default occurs. In case default becomes probable, expense equal to the fair value of the unreturned loaned shares, net of any probable recoveries, must be recognized. This guidance is effective beginning with our fiscal 2010, with retrospective application required. We are currently assessing the impact of this guidance on our financial statements.

Postretirement Plans. In December 2008, the FASB issued new accounting guidance to expand employer's disclosures about plan assets of a defined benefit pension or other postretirement plan to include: (i) investment policies and strategies, (ii) the major categories of plan assets, (iii) the inputs and valuation techniques used to measure plan assets, (iv) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period, and (v) significant concentrations of risk within plan assets. These disclosures are effective for our fiscal year ended February 27, 2010.

3. Goodwill and Other Intangible Assets

The carrying values of our finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Our intangible assets that have finite useful lives are amortized over their estimated useful lives. Goodwill and other intangibles with indefinite useful lives that are not subject to amortization are tested for impairment in the fourth quarter of each fiscal year, or more frequently whenever events or changes in circumstances indicate that impairment may have occurred. The latest annual impairment assessment of goodwill and indefinite lived intangible assets was completed in the fourth quarter of fiscal 2008 and is scheduled to be performed again in the fourth quarter of fiscal 2009.

Goodwill
As disclosed in our Form 10-Q for the second quarter of fiscal 2009, we continue to monitor our results and projections for the necessity of a possible impairment charge. During the third quarter of fiscal 2009, we concluded that an interim triggering event had occurred for purposes of testing goodwill for

impairment within our Price Impact reporting unit due to:

- o The severity and duration of operating losses within the Price Impact reporting unit;
- o Changes in our management's long-term forecasts relating to the Price Impact reporting unit;
- o The significant impairment of long-lived assets within the Price Impact reporting unit (Refer to Note 5 -- Valuation of Long-Lived Assets); and

As a result, we performed an interim evaluation to determine whether any portion of the $321.8 million goodwill balance attributable to our Price Impact segment has been impaired. We performed the first step of goodwill impairment testing by estimating the fair value of the Price Impact reporting unit using a net present value methodology, which is dependent on significant assumptions related to estimated future discounted cash flows, discount rates and tax rates. Assumptions included reduced shorter term internal revenue and profitability forecasts based on recent trends, partially offset by an estimate for improvement for remodeling certain stores that were underperforming against our expectations and a perpetual growth rate for cash flow in the terminal year, subsequent to all planned remodels, of 1.5%. We assumed a market-based weighted average cost of capital of 11.0% to discount cash flows and a blended tax rate of 42.0%. We determined that our carrying value exceeded our fair value indicating that goodwill was potentially impaired.

As a result, we performed the second step of the goodwill impairment test by calculating the implied fair value of goodwill. We allocated the fair value to the assets and liabilities of the Price Impact reporting unit other than goodwill. The remaining difference between the fair value of the Price Impact reporting unit and the sum of the allocated fair value of the assets and liabilities was considered the implied fair value of goodwill. The carrying value of goodwill exceeded the implied fair value by $321.8 million, which was recorded as impairment during the third quarter of fiscal 2009. Subsequent to the impairment, no goodwill remains at the Price Impact reporting unit.

We determined that a triggering event did not occur in our third quarter for the remaining reporting units. We will perform our annual goodwill impairment testing of the remaining reporting units (other than the

Price Impact reporting unit) during the fourth quarter of fiscal 2009. We can provide no assurances that we will not be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance. These events could include a decline in the forecasted results in our business plan, such as changes in forecasted on-going profitability or capital investment budgets or changes in our interest rates. Recognition of additional impairment of a significant portion of our goodwill would negatively affect our Company's reported results of operations and total capitalization.

Changes in the carrying amount of goodwill by reportable segment during the 40 weeks ended December 5, 2009 are as follows:

	Fresh	Price Impact	Gourmet	Other
Balance as of February 28, 2009:				
Goodwill	$ 126,609	$ 338,048	$ 12,720	$ 6,183
Accumulated impairment losses	--	--	--	--
	126,609	338,048	12,720	6,183
Adjustment to goodwill*	(5,792)	(16,208)	(610)	(209)
Impairment losses	--	(321,840)	--	--
Balance as of December 5, 2009:				
Goodwill	120,817	321,840	12,110	5,974
Accumulated impairment losses	--	(321,840)	--	--
	$ 120,817	$ --	$ 12,110	$ 5,974

*During the second quarter of fiscal 2009, the amount of Goodwill related to the Pathmark acquisition was reduced by $22.8 million as a result of an adjustment to the deferred tax valuation allowance that should have been released in connection with the original purchase price allocation.

Intangible Assets, net

Intangible assets, net were acquired upon our acquisition of Pathmark in December 2007 and consisted of the following:

	Weighted Avg. Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization at Dec. 5, 2009
Loyalty card customer relationships	5	$ 19,200	$ 6,622
In-store advertiser relationships	20	14,720	1,472
Pharmacy payor relationships	13	75,000	11,538
Pathmark trademark	Indefinite	77,400	--
Total		$186,320	$ 19,632

Based on the lower revenues within our Price Impact reporting unit, as well as the impairment trigger of goodwill during the third quarter of fiscal 2009, we evaluated the fair value of the Pathmark Trademark using the relief-from-royalty method with assumptions consistent with those used to fair value goodwill. Further assumptions include lower estimated market royalty rate expectations due to current general economic conditions, as well as our near term profitability projections.

The carrying value exceeded the indicated fair value of the Pathmark Trademark, resulting in an impairment charge of $49.9 million which we recorded this quarter. We believe that our estimates are appropriate based upon the current assumptions. However, we may be required to record impairment charges in future periods if our revenues differ from our current projections. We will perform our annual trademark impairment testing during the fourth quarter of fiscal 2009. We currently estimate that the fair value of our trademark decreases by approximately $20.0 million for each 5 basis point decrease in the market royalty rate and by approximately $8.0 million for each 10% decline in sales from our current projections.

(Dollars in thousands, except share and per share amounts)

During the third quarter of fiscal 2009, we also determined that we had a triggering event requiring us to evaluate the recoverability of our amortizable intangible assets for possible impairment, due to lower revenues within our Price Impact reporting unit and the impairment trigger of goodwill. We evaluated the expected undiscounted cash flows of the Pathmark reporting unit compared to the book value of all long-lived assets, including intangible assets other than goodwill, noting no impairment of our amortizable intangible assets. We believe that our estimates are appropriate based upon the current assumptions. However, future impairment charges could be required if our revenues in future periods differ from our current projections. Amortization expense relating to our finite-lived intangible assets for the 12 and 40 weeks ended December 5, 2009 was $2.5 million and $8.3 million, respectively. Amortization expense for the 12 and 40 weeks ended November 29, 2008 was $2.1 million and $7.1 million, respectively.

The following table summarizes the estimated future amortization expense for our finite-lived intangible assets:

2009	$ 2,475
2010	10,725
2011	10,725
2012	9,670
2013	6,505
Thereafter	49,188

4. Fair Value Measurements

The accounting guidance for fair value measurement defines and establishes a framework for measuring fair value. Inputs used to measure fair value are classified based on the following three-tier fair value hierarchy:

Level 1 -- Quoted prices in active markets for identical assets or liabilities. Our Level 1 assets include cash equivalents that are traded in an active exchange market.

Level 2 -- Directly or indirectly observable inputs other than Level 1 quoted prices in active markets. Our Level 2 liabilities include warrants, which are valued using the Black Scholes pricing model with inputs that are observable or can be derived from or corroborated by observable market data.

Level 3 -- Unobservable inputs that are supported by little or no market activity whose value is determined using pricing models, discounted cash flows, or similar methodologies, as well as instruments for which the determination of fair value requires significant judgment or estimation. Our Company's Level 3 assets include our restricted marketable securities for which there is limited market activity.

12

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 5, 2009 and February 28, 2009:

		Fair Value Measurements at	
	Total Carrying Value at Dec. 5, 2009	Quoted Prices in Active Markets (Level 1)	Significan Observ Input (Level
Assets:			
Cash equivalents	$ 186,893	$ 186,893	$
Restricted marketable securities	923	--	
Total	$ 187,816	$ 186,893	$
Liabilities:			
Series B Warrant	$ 29,663	$ --	$ 29

		Fair Value Measurements at	
	Total Carrying Value at Feb. 28, 2009	Quoted Prices in Active Markets (Level 1)	Significan Observ Input (Level
Assets:			
Cash equivalents	$ 2,076	$ 2,076	$
Restricted marketable securities	4,857	--	
Total	$ 6,933	$ 2,076	$

Liabilities:

Series B Warrant	$ 4,766	$ --	$ 4

Level 3 Financial Assets:

Our Level 3 financial assets include our restricted marketable securities for which there is limited market activity such that the determination of fair value requires significant judgment or estimation. These securities were valued with the assistance of broker pricing models that incorporate transaction details such as contractual terms, maturity, timing and amount of future cash inflows, and assumptions about liquidity. As of December 5, 2009 and February 28, 2009, we had restricted marketable securities of $0.9 million and $4.9 million, respectively, which were held by Bank of America in the Columbia Fund. These securities are classified as available-for-sale. On December 6, 2007, Bank of America froze the Columbia Fund as a result of the increased risk in subprime asset backed securities. As a result of this restriction on cash redemptions, we did not consider the Columbia Fund to be traded in an active market with observable pricing and these amounts were categorized as Level 3.

13

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period February 28, 2009 to December 5, 2009:

	Fair Value Measurement Significant Unobservab (Level 3)
	Restricted Market Securities
Beginning Balance	$ 4,857
Issuances	--
Total realized and unrealized (losses) and gains included in:	
Realized losses (1)	(261)
Other comprehensive income (2)	543
Settlements	(4,216)
Ending Balance	$ 923

(1) Amounts are recorded in "Store operating, general and administrative expense" in the Consolidated Statements of Operations.

(2) Represents unrealized gains relating to Level 3 assets still held at

December 5, 2009, based on the net asset value of the Columbia Fund at December 5, 2009, primarily as a result of the improved pricing of certain underlying securities included in the fund. As of February 28, 2009, there were no investments with unrealized gains or losses.

During the 12 and 40 weeks ended December 5, 2009, we received distributions from the Columbia Fund in the amount of $2.0 million and $4.2 million, respectively, at an amount less than 100% of the net asset value of the fund, resulting in realized losses of nil and $0.3 million, respectively. During the 12 and 40 weeks ended November 29, 2008, we received distributions from the Columbia Fund in the amount of $2.8 million and $9.9 million, respectively, at an amount less than 100% of the net asset value of the fund, resulting in realized losses of $0.2 million and $0.4 million, respectively.

For the 12 and 40 weeks ended November 29, 2008, we realized losses of $0.7 million and $0.8 million, respectively, based on the ending net asset value of the Columbia Fund as the decline in net asset value is considered other than temporary at November 29, 2008 and will not be recovered in future distributions from the fund.

Nonfinancial Assets and Liabilities Measured on a Nonrecurring Basis
----

Fair value measurements of our nonfinancial assets and nonfinancial liabilities on a nonrecurring basis using Level 3 inputs are primarily used in the impairment analyses of our goodwill and other indefinite-lived intangible assets, our long-lived assets and closed store occupancy costs. We perform our annual review of goodwill and other intangible assets for impairment in the fourth quarter of each fiscal year unless an interim triggering event has occurred indicating the possibility of an impairment. Refer to Note 3 - Goodwill and Other Intangible Assets for further information relating to the carrying value of our goodwill and other intangible assets and the goodwill impairment charge recorded during the 12 weeks ended December 5, 2009. Long-lived assets and closed store occupancy costs were measured at fair value on a nonrecurring basis using Level 3 inputs, as unobservable inputs were used to measure their fair value. Refer to Note 5 - Valuation of Long-Lived Assets, Note 6 - Discontinued Operations and Note 7 - Asset

Disposition Initiatives for more information relating to the valuation of these assets and liabilities and the impairment of our long-lived assets. During the 12 weeks ended December 5, 2009, long-lived assets with a carrying amount of $230.7 million were written down to their fair value of $189.9 million, resulting in an impairment charge of $40.8 million.

Long-Term Debt and Preferred Stock Liability:

The following table provides the carrying values recorded on our balance sheet and the estimated fair values of financial instruments as of December 5, 2009 and February 28, 2009:

(Dollars in thousands, except share and per share amounts)

	As of December 5, 2009		As o
	Carrying Amount	Fair Value	Carryi Amoun
Current portion of long-term debt	$ 1,373	$ 1,373	$ 5,2
Long-term debt, net of related discount (1)	986,331	1,001,994	919,3
Preferred stock liability	117,250	272,255	

(1) The balance our Long-term debt decreased by $23.1 million from the amount reported in our 2008 Annual Report on Form 10-K as a result of the retrospective application of the new accounting guidance for convertible debt, which we adopted during the first quarter of fiscal 2009. Refer to Note 11 - Indebtedness and Other Financial Liabilities for additional information.

Our long-term debt includes borrowings under our line of credit, credit agreement, related party promissory note and our debt securities. The fair value of our debt securities are determined based on quoted market prices for such notes in non-active markets.

Our Preferred stock liability was recorded in connection with our preferred stock issuance in August 2009. Due to the high likelihood of these shares becoming convertible, the fair value of our Preferred stock liability was determined by valuing the related common share equivalents based on the closing market price of our Company's common stock on December 4, 2009.

5. Valuation of Long-Lived Assets

We review the carrying values of our long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable.

Impairments due to closure or conversion in the normal course of business

We review assets in stores planned for closure or conversion for impairment upon determination that such assets will not be used for their intended useful life. During the 12 and 40 weeks ended December 5, 2009, we recorded impairment losses on long-lived assets of $1.5 million and $5.2 million, respectively, related to stores that were closed or converted in the normal course of business, as compared to $0.9 million and $2.7 million in impairment losses on property related to stores that were closed or converted in the normal course of business during the 12 and 40 weeks ended November 29, 2008, respectively. These amounts were recorded within "Store operating, general and administrative expense" in our Consolidated Statements of Operations.

Impairments due to unrecoverable assets

During the 12 weeks ended December 5, 2009, as a result of experiencing increasingly severe operating losses for the past two years within our Price

Impact reporting unit and also within one asset group within our Fresh reporting unit, we determined that a triggering event occurred for testing the related asset groups' long-lived assets for potential impairment. We estimated the future cash flows for these asset groups based on an internal analysis performed by management. The carrying value of the asset group within our Fresh reporting unit was determined to be recoverable from its expected undiscounted future cash flows. For three asset groups within our Price Impact reporting unit, the carrying value was not recoverable from their undiscounted future cash flows. We determined the fair value of these assets and as a result, we recorded an impairment charge for these asset groups' long-lived assets, primarily consisting of favorable leases and other owned property of $40.8 million, within "Goodwill, trademark and long-lived asset impairment" in our Consolidated Statements of Operations for the 12 weeks ended December 5, 2009.

The effects of changes in estimates of useful lives were not material to ongoing depreciation expense. We will continue to monitor our operating results in future periods to determine whether additional impairment testing is warranted for any of our asset groups experiencing operating losses. If current operating levels do not improve, we may have to record impairments of long-lived assets in the future.

6. Discontinued Operations

We have had multiple transactions throughout the years which met the criteria for discontinued operations. These events are described based on the year the transaction was initiated.

The operating results for these discontinued businesses are included in our Consolidated Statements of Operations, under the captions "Loss from operations of discontinued businesses, net of tax" and "Gain on disposal of discontinued businesses, net of tax" for the 12 and 40 weeks ended December 5, 2009 and November 29, 2008, respectively.

Summarized below is a reconciliation of the liabilities related to restructuring obligations resulting from these activities:

	For the 40 Weeks Ended December 5, 2009				
	Balance at 2/28/2009	Interest Accretion (1)	Adjustments(2)	Utilization(3)	Balance 12/5/20
2007 Events					
Occupancy	$ 70,583	$ 6,883	$ 48,802	$(21,810)	$104,4
Severance	59,239	2,834	37	(4,036)	58,0
2007 events total	129,822	9,717	48,839	(25,846)	162,5
2005 Event					
Occupancy	60,327	2,497	5,279	(7,703)	60,4
2003 Events					
Occupancy	18,712	873	5,814	(2,440)	22,9
Total	$208,861	$ 13,087	$ 59,932	$(35,989)	$245,8

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

(1) The additions to occupancy and severance represent the interest accretion on future occupancy costs and future obligations for early withdrawal from multi-employer union pension plans which were recorded at present value at the time of the original charge. Interest accretion is recorded as a component of "Loss from operations of discontinued businesses" on our Consolidated Statements of Operations.

(2) At each balance sheet date, we assess the adequacy of the balance of the remaining liability to determine if any adjustments are required as a result of changes in circumstances and/or estimates. These adjustments are recorded as a component of "Loss from operations of discontinued businesses" on our Consolidated Statements of Operations. During the 40 weeks ended December 5, 2009, we recorded adjustments for the 2007, 2005 and 2003 events for additional occupancy related costs of $48.8 million, $5.3 million and $5.8 million, respectively, due to changes in our estimation of such future costs due to the continuing deteriorating economic conditions in the Midwest real estate market including the recent bankruptcies in the auto industry. We now expect our occupancy costs to be higher as the current economic conditions affecting the Midwest real estate market are expected to persist for some time and subleased properties in the area have been occurring at heavily discounted rates as compared to the related contractual agreements.

(3) Occupancy utilization represents payments made during those periods for rent, common area maintenance and real estate taxes. Severance utilization represents payments made to terminated employees during the period.

Summarized below are the payments made from the time of the original charge through December 5, 2009 and expected future payments related to these events:

	2007 Events	2005 Event	2003 Even
Total severance payments made to date	$ 32,188	$ 2,650	$ 22,
Expected future severance payments	58,074	--	
Total severance payments expected to be incurred	90,262	2,650	22,
Total occupancy payments made to date	73,667	54,354	31,
Expected future occupancy payments, excluding interest accretion	104,458	60,400	22,
Total occupancy payments expected to be incurred, excluding interest accretion	178,125	114,754	54,

(Dollars in thousands, except share and per share amounts)

Total severance and occupancy payments made to date	105,855	57,004	54,
Expected future severance and occupancy payments, excluding interest accretion	162,532	60,400	22,
Total severance and occupancy payments expected to be incurred, excluding interest accretion	$268,387	$117,404	$ 77,

Payments to date were primarily for occupancy related costs such as rent, common area maintenance, real estate taxes, lease termination costs, severance, and benefits. The remaining obligation relates to expected future payments under long-term leases and expected future payments for early withdrawal from multi-employer union pension plans. The expected completion dates for the 2007, 2005 and 2003 events are 2028, 2022 and 2022, respectively.

Summarized below are the amounts included in our balance sheet captions on our Company's Consolidated Balance Sheets related to these events:

	December 5, 2009		
	2007 Events	2005 Event	
Accrued salaries, wages and benefits	$ 9	$ --	$
Other accruals	$ 29,753	$ 10,755	$
Other non-current liabilities	$ 132,770	$ 49,645	$

	February 28, 2		
	2007 Events	2005 Event	
Accrued salaries, wages and benefits	$ 43	$ --	$
Other accruals	$ 31,890	$ 11,016	$
Other non-current liabilities	$ 97,889	$ 49,311	$

We evaluated the reserve balances as of December 5, 2009 based on current information and have concluded that they are adequate to cover future costs. We will continue to monitor the status of the vacant and subsidized properties, severance and benefits, and pension withdrawal liabilities, and adjustments to the reserve balances may be recorded in the future, if necessary.

7. Asset Disposition Initiatives

(Dollars in thousands, except share and per share amounts)

In addition to the events described in Note 6 - Discontinued Operations, there were restructuring transactions which were not primarily related to our discontinued operations businesses. These events are referred to based on the year the transaction was initiated.

Summarized below is a reconciliation of liabilities relating to restructuring obligations from these activities:

	For the 40 Weeks Ended December 5,			
2005 Event	Balance at 2/28/2009	Interest Accretion (1)	Adjustments(2)	Utili
Occupancy - Continuing Operations	$ 1,114	$ 11	$(1,120)	
Severance - Continuing Operations	904	--	63	
2005 event total	2,018	11	(1,057)	
2001 Event				
Occupancy - Continuing Operations	7,080	353	284	
Occupancy - Discontinued Operations	11,307	482	4	
2001 event total	18,387	835	288	
1998 Event				
Occupancy - Continuing Operations	8,696	195	(1,398)	
Severance - Continuing Operations	824	--	--	
Occupancy - Discontinued Operations	543	16	--	
1998 event total	10,063	211	(1,398)	
Total	$30,468	$ 1,057	$(2,167)	

(1) The additions to occupancy represent the interest accretion on future occupancy costs which were recorded at present value at the time of the original charge. These adjustments are recorded to "Store operating, general and administrative expense" for continuing operations and "Loss from operations of discontinued operations" for discontinued operations on our Consolidated Statements of Operations.

(2) At each balance sheet date, we assess the adequacy of the balance to determine if any adjustments are required as a result of changes in circumstances and/or estimates. These adjustments are recorded to "Store

operating, general and administrative expense" for continuing operations and "Loss from operations of discontinued operations" as noted for discontinued operations on our Consolidated Statements of Operations.

During the 40 weeks ended December 5, 2009, we recorded a $1.1 million adjustment to eliminate occupancy related costs due to the termination of the lease on the one remaining property included in the 2005 event. We increased occupancy related costs for the 2001 event by $0.3 million due to changes in our estimation of such future costs. Occupancy related costs for the 1998 event were reduced by $1.4 million primarily due to entering into new sublease agreements that were more favorable than our original estimates.

(3) Occupancy utilization represents payments made during those periods for rent. Severance and benefits utilization represents payments made to terminated employees during the period.

Summarized below are the payments made to date from the time of the original charge and expected future payments related to these events:

	2005 Event	2001 Event	1998 Event
Total severance payments made to date	$ 48,944	$ 28,205	$ 30,760
Expected future severance payments	738	--	704
Total severance payments expected to be incurred	49,682	28,205	31,464
Total occupancy payments made to date	13,856	64,542	118,506
Expected future occupancy payments, excluding interest accretion	--	17,338	4,771
Total occupancy payments expected to be incurred, excluding interest accretion	13,856	81,880	123,277
Total severance and occupancy payments made to date	62,800	92,747	149,266
Expected future severance and occupancy payments, excluding interest accretion	738	17,338	5,475
Total severance and occupancy payments expected to be incurred, excluding interest accretion	$ 63,538	$110,085	$154,741

Payments to date were primarily for occupancy related costs such as rent, common area maintenance, real estate taxes, lease termination costs, severance, and benefits. The remaining obligation relates to expected future payments under long-term leases and expected future payments for early withdrawal from multi-

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

employer union pension plans. The expected completion dates for the 2005, 2001 and 1998 events are 2015, 2022 and 2020, respectively.

Summarized below are the amounts included in our balance sheet captions on our Company's Consolidated Balance Sheets related to these events:

	December 5, 2009			
	2005 Event	2001 Event	1998 Event	
Other accruals	$ 268	$ 2,982	$ 2,617	$
Other non-current liabilities	$ 470	$ 14,356	$ 2,858	$

	February 28, 2009			
	2005 Event	2001 Event	1998 Event	
Other accruals	$ 384	$ 2,965	$ 4,142	$
Other non-current liabilities	$ 1,634	$ 15,422	$ 5,921	$

We evaluated the reserve balances as of December 5, 2009 based on current information and have concluded that they are adequate to cover future costs. We will continue to monitor the status of the vacant and subsidized properties, severance and benefits, and pension withdrawal liabilities, and adjustments to the reserve balances may be recorded in the future, if necessary.

8. Other Accruals

Other accruals are comprised of the following:

	Dec. 5, 2009	Feb. 28, 2009
Self-insurance reserves	$ 77,249	$ 77,560
Closed store and warehouse reserves	63,085	64,508
Pension withdrawal liabilities	10,461	5,393
GHI contract liability	6,168	5,742
Accrued occupancy related costs for open stores	25,384	27,439
Deferred income	28,919	33,558
Deferred real estate income	2,782	2,558
Accrued audit, legal and other	9,718	11,719

Accrued interest	27,095	9,000
Other postretirement and postemployment benefits	4,153	4,153
Accrued advertising	2,069	1,493
Dividends payable on preferred stock	3,252	-
Other	2,906	3,473
Total	$ 263,241	$ 246,596

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

9. Other Non-Current Liabilities

Other non-current liabilities are comprised of the following:

	Dec. 5, 2009	Feb. 28, 2009
Unrecognized Tax Benefits	$ 2,426	$ 156,267
Deferred taxes	22,402	-
Self-insurance Reserves	149,632	153,870
Closed Store and Warehouse Reserves	197,998	140,593
Pension Withdrawal Liabilities	90,452	109,714
GHI Contractual Liability for Employee Benefits	89,982	85,690
Pension Plan Benefits	112,243	89,842
Other Postretirement and Postemployment Benefits	34,761	34,295
Corporate Owned Life Insurance Liability	60,436	59,529
Deferred Rent Liabilities	55,698	54,047
Deferred Income	71,461	83,128
Unfavorable Lease Liabilities	22,425	30,708
Other	14,422	13,726
Total	$ 924,338	$ 1,011,409

10. Redeemable Preferred Stock

On August 4, 2009, our Company issued 60,000 shares of 8.0% Cumulative Convertible Preferred Stock, Series A-T, without par value, to affiliates of Tengelmann Warenhandelsgesellschaft KG ("Tengelmann") and 115,000 shares of 8.0% Cumulative Convertible Preferred Stock, Series A-Y, without par value, to affiliates of Yucaipa Companies LLC ("Yucaipa"), together referred to as the "Preferred Stock," for approximately $162.2 million, after deducting approximately $12.8 million in closing and issuance costs. Each share of the Preferred Stock has an initial liquidation preference of one thousand dollars, subject to adjustment.

The Preferred Stock is convertible into shares of our Company's common stock, par value $1.00 per share (the "Common Stock"), at an initial conversion price of $5.00 per share of Common Stock. The Preferred Stock is convertible upon the one-year anniversary of the issuance of Preferred Stock provided that prior to receiving shareholder approval, the Preferred Stock will not be exercisable into greater than 19.99% of the Common Stock outstanding prior to the issuance of the Preferred Stock. The 57,750 shares that are convertible without shareholder approval are classified as temporary stockholders' equity since the shares are (i) redeemable at the option of the holder and (ii) have conditions for redemption which are not solely within the control of the Company. The 117,250 shares that require shareholder approval in order to become convertible are classified as a "Preferred stock liability". (Refer to Note 20 - Subsequent Events for additional information relating to shareholder approval).

Prior to shareholder approval, the holders of Series A Convertible Preferred Stock have the right to vote on an as-converted basis provided that the aggregate number of votes entitled to be cast by the Series A Convertible Preferred Stock does not exceed 19.99% and the Series A-T Convertible Preferred Stock does not exceed 1% of the voting power of the Common Stock outstanding immediately prior to the issuance of the Series A Convertible Preferred Stock. (Refer to Note 20 - Subsequent Events for accounting treatment upon receiving shareholder approval).

Our Company is required to redeem all of the outstanding Preferred Stock on August 1, 2016 (the "Maturity Date"), at 100.0% of the liquidation preference, plus all accrued and unpaid dividends. Subject to the repurchase rights of the investors, the Preferred Stock is not redeemable prior to the Maturity Date. At any time after December 3, 2012, in the event of any fundamental change, the investors may elect to require our Company to repurchase the Preferred Stock in cash at 101.0% of the liquidation preference amount plus any accrued and unpaid dividends.

The holders of the Preferred Stock are entitled to an 8.0% dividend, payable quarterly in arrears in cash or in additional shares of Preferred Stock if our Company is not able to pay the dividends fully in cash. If our Company makes a dividend payment in additional shares of Preferred Stock, the Preferred Stock shall be valued at the liquidation preference of the Preferred Stock and the dividend rate will be 8.0% plus 1.5%. During the 12 and 40 weeks ended December 5, 2009, we recorded Preferred Stock dividends of $3.2 million and $4.8 million, respectively, of which $2.1 million and $3.2 million, respectively, has been recorded within "Interest expense" and the remaining $1.1 million and $1.6 million, respectively, has been recorded within "Additional paid-in capital". In addition, during the 12 and 40 weeks ended December 5, 2009, we recorded $0.4 million and $0.6 million, respectively, of deferred financing fees amortization, of which $0.3 million and $0.4 million, respectively, has been recorded within "Interest expense" and the remaining $0.1 million and $0.2 million, respectively, has been recorded within "Additional paid-in capital".

The portion of the issuance recorded within "Preferred stock liability" is recorded at fair value, with the related issuance cost amortization recorded within "Interest expense".

The shares classified within temporary equity contained an embedded beneficial conversion feature as the fair value of the Company's common stock on the date of issuance, $5.67 per share, was in excess of the effective conversion price of

$4.74 per share, which represents the $5.00 per share conversion price reduced for fees paid to the investors. This embedded beneficial conversion feature resulted in a discount of $10.8 million, which has been recorded within "Additional paid-in capital" and will be amortized over a seven-year period from the date of issuance until the stated redemption date. During the 12 and 40 weeks ended December 5, 2009, we accreted $0.3 million and $0.5 million, respectively, relating to this beneficial conversion feature through "Additional paid-in capital".

Certain features of the Preferred Stock constitute derivatives separate from the Preferred Stock; however, at issuance and the current balance sheet date, those features had little or no value and are not expected to have significant value for the foreseeable future.

11. Indebtedness and Other Financial Liabilities

Senior Secured Notes

On August 4, 2009, we issued $260.0 million of 11.375% senior secured notes due 2015 (the "Notes") at a price equal to 97.385% of their face value. The Notes represent second lien secured obligations, guaranteed by all of our Company's domestic subsidiaries. The Notes bear interest at a fixed rate of 11.375% payable semi-annually in cash. As of December 5, 2009, the carrying value of the notes was $253.5 million. The proceeds from this offering and our preferred stock offering on August 4, 2009 (Refer to Note 10 - Redeemable Preferred Stock) were used to repay a portion of our existing variable debt.

The Notes were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States, only to non-U.S. investors

pursuant to Regulation S. The Notes have not been registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The Notes contain the usual and customary covenants found in secured notes, including, among other things, restrictions on the incurrence of additional indebtedness, asset sales, liens and restricted payments.

Convertible Senior Notes

Our $255.0 million 6.750% Convertible Senior Notes that were issued in December 2007 are subject to the new accounting guidance, which we adopted during the 16 weeks ended June 20, 2009 (Refer to Note 1 - Summary of Significant Accounting Policies) relating to convertible debt instruments with cash settlement features, as our estimated nonconvertible debt borrowing rate is higher than the current contractual rate on these notes. We estimate that our effective interest rate for similar debt without the conversion feature is approximately 12.000%. As a result, we retrospectively recognized cumulative additional non-cash interest expense of $3.9 million from the date of issuance of these Convertible Senior Notes through February 28, 2009. During the 12 weeks ended December 5, 2009 and November 29, 2008, we recognized additional non-cash interest expense of $1.0 million and $0.8 million, respectively, and during the 40 weeks ended December 5, 2009 and November 29, 2008, we recognized additional non-cash interest expense of $3.2 million and $2.5 million, respectively, as a result of our adoption of this new accounting guidance. Our non-cash interest expense for fiscal 2009 is expected to increase by approximately $4.2 million and will increase by approximately $18.3 million in total in subsequent periods during which our convertible notes remain outstanding. Upon adoption, we also reclassified $26.4 million of debt and deferred financing costs to "Additional paid-in capital", net of deferred taxes.

(Dollars in thousands, except share and per share amounts)

Due to the retrospective application of the new accounting guidance relating to certain convertible debt instruments, our prior period consolidated financial statements have been adjusted as follows:

Consolidated Statements of Operations	12 Weeks Ended Nov. 29, 2008		
	As adjusted in this Quarterly Report on Form 10-Q	As reported in Quarterly Report on Form 10-Q	As thi R F
Interest expense	$ (37,511)	$ (36,727)	$
Loss from continuing operations	(3,777)	(2,993)	
Net loss	(14,412)	(13,628)	
Per share data			
Net loss per share -- basic:			
Continuing operations	$ (0.07)	$ (0.06)	$
Discontinued operations	(0.20)	(0.20)	
Net loss per share -- basic	$ (0.27)	$ (0.26)	$
Net loss per share -- diluted:			
Continuing operations	$ (1.62)	$ (1.35)	$
Discontinued operations	(0.28)	(0.26)	
Net loss per share - diluted	$ (1.90)	$ (1.61)	$

Consolidated Balance Sheets	As of February 28, 2009		
	As adjusted in this Quarterly Report on	As reported in the 2008 Annual Report on	As thi R

	Form 10-Q	Form 10-K	F
Assets:			
Prepaid expenses and other current assets	$ 67,465	$ 66,190	$
Current assets	918,522	917,247	
Other assets	193,954	195,856	
Total assets	3,545,084	3,545,711	3
Liabilities:			
Long-term debt	919,364	942,514	
Total liabilities	3,255,191	3,278,341	3
Stockholders' equity:			
Additional paid-in capital	464,679	438,300	
(Accumulated deficit)/Retained earnings	(127,314)	(123,458)	
Total stockholders' equity	289,893	267,370	
Total liabilities and stockholders' equity	$ 3,545,084	$ 3,545,711	$ 3

Consolidated Statement of Cash Flows	40 Weeks Ended No
	As adjusted in this Quarterly Report on Form 10-Q
Cash flows from operating activities:	
Net loss	$ (31,249)
Non-cash interest expense	20,120
Net cash used in operating activities	(48,214)

The net carrying value of the 6.750% Convertible Senior Notes as of December 5, 2009 and February 28, 2009 was $221.7 million and $215.1 million, respectively, net of unamortized discount of $33.3 million and $39.9 million, respectively. As of December 5, 2009, our remaining unamortized discount will be recognized as follows:

Remainder of 2009	$ 2,113
2010	9,884
2011	11,139
2012	10,140
	$ 33,276

Credit Agreement

On July 23, 2009, our Company amended the Amended and Restated Credit Agreement with Banc of America Securities LLC and Bank of America, N.A., as the co-lead arranger, in connection with the private offering of senior secured notes and the sale of preferred stock, which expires in December 2012. The amended agreement increases the applicable margins on credit advances, reduces commitments by $20.0 million, reduces the collateral advance and provides for certain other amendments. Subject to borrowing base requirements, the amended $655.0 million Credit Agreement provides for a five-year term loan of $82.9

(Dollars in thousands, except share and per share amounts)

million, a five-year term loan of $50.0 million and a five-year revolving credit facility of $522.1

million enabling us to borrow funds and issue letters of credit on a revolving basis. The Credit Agreement also provides for an increase in commitments of up to an additional $100.0 million, subject to agreement of new and existing lenders. Our obligations under the Credit Agreement are secured by certain assets of our Company, including, but not limited to, inventory, certain accounts receivable, pharmacy scripts, owned real estate and certain Pathmark leaseholds. The Pathmark leaseholds were removed as eligible collateral throughout fiscal 2009, which resulted in the total reduction in the borrowing availability under the revolving credit facility of approximately $73.0 million as of December 5, 2009. Borrowings under the Credit Agreement bear interest based on LIBOR or Prime interest rate pricing. Subject to certain conditions, we are permitted to pay cumulative cash dividends on common shares, as well as make bond repurchases.

As of December 5, 2009, there were $132.9 million of loans and $203.8 million in letters of credit outstanding under this agreement. As of December 5, 2009, after reducing availability for borrowing base requirements, we had $218.0 million available under the Credit Agreement. In addition, we have invested cash available to reduce borrowings under this Credit Agreement or to use for future operations of $187.2 million as of December 5, 2009.

Warrants

Our Series B warrants issued as part of the acquisition of Pathmark on December 3, 2007, are exercisable at $32.40 and expire on June 9, 2015. The Tengelmann stockholders have the right to approve any issuance of common stock under these warrants upon exercise (assuming Tengelmann's outstanding interest is at least 25% and subject to liquidity impairments defined within the Tengelmann Stockholder Agreement). In addition, Tengelmann has the ability to exercise a "Put Right" whereby it has the ability to require our Company to purchase our common stock held by Tengelmann to settle these warrants. Based on the rights provided to Tengelmann, our Company does not have sole discretion to determine whether the payment upon exercise of these warrants will be settled in cash or through issuance of an equivalent portion of our shares. Therefore, these warrants are recorded as liabilities and marked-to-market each reporting period based on our Company's current stock price.

The value of the Series B warrants as of December 5, 2009 and February 28, 2009 was $29.7 million and $4.8 million, respectively, and is included in "Other financial liabilities" on our Consolidated Balance Sheets. The following assumptions and estimates were used in the Black-Scholes model used to value the Series B warrants:

	December 5, 2009	February 28, 2009
Expected life	5.51 years	6.28 years

(Dollars in thousands, except share and per share amounts)

Volatility	66.7%	61.3%
Dividend yield	0%	0%
Risk-free interest rate	2.24%	2.69%

Call Option and Financing

Warrants On or about October 3, 2008, Lehman Brothers OTC Derivatives, Inc. or "LBOTC," who accounts for 50% of our call option and financing warrant transactions, filed for bankruptcy protection, which is an event of default under such transactions. We are carefully monitoring the developments affecting LBOTC, noting the impact of the LBOTC bankruptcy effectively reduced conversion prices for 50% of our convertible senior notes to their stated prices of $36.40 for the 5.125% Notes and $37.80 for the 6.750% Notes.

In the event we terminate these transactions, or they are canceled in bankruptcy, or LBOTC otherwise fails to perform its obligations under such transactions, we would have the right to monetary damages in the form of an unsecured claim against LBOTC in an amount equal to the present value of our cost to replace these transactions with another party for the same period and on the same terms.

Our "Nonoperating (loss) income" for the 12 and 40 weeks ended December 5, 2009 and November 29, 2008 was comprised of (losses) gains relating to market value adjustments on the following:

	12 Weeks Ended		
	Dec. 5, 2009	Nov. 29, 2008	Dec.
Series A warrants (1)	$ --	$ --	$
Series B warrants	(15,944)	22,777	
5.125% convertible senior notes (2)	--	--	
6.750% convertible senior notes (2)	--	--	
Financing warrants on convertible senior notes (3)	--	--	
Total	$ (15,944)	$ 22,777	$

(1) Series A warrants were exercised by Yucaipa Corporate Initiatives Fund I, L.P., Yucaipa American Alliance Fund I, L.P. and Yucaipa American Alliance (Parallel) Fund I, L.P. on May 7, 2008.

(2) The portion of the conversion features relating to our 5.125% and 6.750% convertible senior notes for which our Company did not have sufficient authorized shares to provide for all potential issuances of common stock was recorded as a long-term liability and marked to market until stockholder

(Dollars in thousands, except share and per share amounts)

approval authorizing the issuance of more shares was obtained on June 26, 2008.

(3) Our Company did not have sufficient authorized shares to provide for all potential issuances of common stock relating to our financing warrants issued in conjunction with our convertible senior notes. As such, these financing warrants were recorded as a liability and marked to market until stockholder approval authorizing the issuance of more shares was obtained on June 26, 2008.

12. Interest Expense

Interest expense is comprised of the following:

	For the 12 weeks ended		F
	Dec. 5, 2009	Nov. 29, 2008(1)	Dec. 5,
$675 million Credit Agreement	$ 3,028	$ 5,854	$ 1
Related Party Promissory Note, due Aug. 18, 2011	147	140	
11.375% Senior Secured Notes, due Aug. 1, 2015	6,835	--	1
9.125% Senior Notes, due December 15, 2011	270	270	
5.125% Convertible Senior Notes, due June 15, 2011	1,952	1,946	
6.750% Convertible Senior Notes, due December 15, 2012	3,972	3,961	1
9.375% Notes, due August 1, 2039	4,280	4,315	1
Capital Lease Obligations and Real Estate Liabilities	12,019	12,699	4
Dividends on Preferred Stock Liability	2,165	--	
Self Insurance and GHI Interest	3,292	1,913	1
GHI Discount Rate Adjustment and COLI Non-cash Interest	943	941	1
Amortization of Deferred Financing Fees and Discounts	6,765	5,226	2
Other	101	246	
Total	$ 45,769	$ 37,511	$14

(1) The interest expense associated with the 6.750% convertible senior notes increased by $0.8 million and $2.5 million, respectively, from the amounts reported in our Form 10-Q for the 12 and 40 weeks ended November 29, 2008 as a result of the retrospective application of the new accounting guidance relating to convertible debt, which we adopted during the first quarter of fiscal 2009. Refer to Note 11 - Indebtedness and Other Financial Liabilities for additional information.

13. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average shares outstanding for the reporting period. Diluted earnings (loss) per share reflects all potential dilution, using either the treasury stock method or the "if-converted" method, and assumes that the convertible debt, stock options, restricted stock, performance restricted stock, warrants, preferred stock, and other potentially dilutive financial instruments were converted into common stock on the first day of the period. If the conversion of a potentially dilutive security yields an antidilutive result, such potential dilutive security is excluded from the diluted earnings per share calculation.

27

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

The following table contains common share equivalents, which were not included in the loss per share calculations as their effect would be antidilutive:

	12 Weeks Ended		40 Weeks
	Dec. 5, 2009	Nov. 29, 2008	Dec. 5, 2009
Stock options	2,416,848	1,749,675	2,480,445
Warrants	686,277	686,277	686,277
Performance restricted stock units	295,213	524,843	548,608
Restricted stock units	1,315,132	--	1,132,044
Financing warrant	11,278,988	11,278,988	11,278,988
Preferred stock	11,590,600	--	11,590,600
Convertible debt	11,278,988	3,553,806	11,278,988

The portion of our August 2009 preferred stock issuance recorded within "Preferred stock liability" is not included in our Company's earnings (loss) per share calculation or the above table due to the fact that the related shares are not legally convertible without prior shareholder approval.

The following table sets forth the calculation of basic and diluted earnings per share:

	12 Weeks Ended		
	Dec. 5, 2009	Nov. 29, 2008	De
Loss from continuing operations	$ (502,438)	$ (3,777)	$
Preferred stock dividends	(1,066)	--	

(Dollars in thousands, except share and per share amounts)

Beneficial conversion feature amortization	(355)	--	
Loss from continuing operations -- basic	(503,859)	(3,777)	
Adjustments for convertible debt (1)	--	(34,951)	
Adjustments on Other financial liabilities (2)	15,943	(22,777)	
Loss from continuing operations -- diluted	$ (487,916)	$ (61,505)	$
Weighted average common shares outstanding	58,193,430	57,663,398	
Share lending agreement (3)	(4,773,182)	(5,271,450)	
Common shares outstanding -- basic	53,420,248	52,391,948	
Effect of dilutive securities:			
Convertible debt (1)	--	7,725,182	
Convertible financial liabilities (2)	(15,427,036)	(22,208,241)	(
Common shares outstanding -- diluted	37,993,212	37,908,889	

(1) We have debt instruments with a bifurcated conversion feature that were recorded at a significant discount. (Refer to Note 11 - Indebtedness and Other Financial Liabilities). For purposes of determining if an application of the "if-converted method" to these convertible instruments produces a dilutive result, we consider the combined impact of the numerator and denominator adjustments, including a numerator adjustment for gains and losses, which would have been incurred had the instruments been converted on the first day of the period presented.

(2) Our Series B Warrants are classified as a liability because a third party has the right to determine their cash or share settlement. (Refer to Note 11 - Indebtedness and Other Financial Liabilities). These warrants are marked-to-market on our income statement. For example, in periods when the market price of our common stock decreases, our income from continuing operations is increased. For purposes of determining if an application of the treasury stock method produces a dilutive result, we assume proceeds are used to repurchase common stock and we adjust the numerator similar to the adjustments required under the "if-converted" method. We consider the combined impact of the numerator and denominator adjustments, including a denominator adjustment to reduce shares, even when the average market price of our common stock for the period is below the warrant's strike price.

(3) As of December 5, 2009 and February 28, 2009, we had 7,134,002 and 8,134,002, respectively, of loaned shares under our share lending agreements, which were considered issued and outstanding. The obligation of the financial institutions to return the borrowed shares has been accounted for as prepaid forward contract and, accordingly, shares underlying this contract are removed from the computation of basic and diluted earnings per share, unless the borrower defaults on returning the related shares. On

September 15, 2008, Lehman Europe, who is a party to a 3,206,058 share lending agreement with our Company filed under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court and/or commenced equivalent proceedings in jurisdictions outside of the United States (collectively, the "Lehman Bankruptcy"). As such, we have included these loaned shares as issued and outstanding effective September 15, 2008 for purposes of computing our basic and diluted weighted average shares and (loss) income per share. On November 23, 2009, Bank of America, N.A., who is a party to our share lending agreement, returned 1,000,000 shares, eliminating our obligation to lend additional shares to them in the future. The returned shares were immediately retired, reducing our issued and outstanding shares. For the 12 and 40 weeks ended December 5, 2009, weighted average common shares relating to share lending agreement of 4,773,182 and 4,881,515, respectively, were excluded from the computation of earnings per share. For the 12 and 40 weeks ended November 29, 2008, weighted average common shares of 5,271,450 and 7,275,236, respectively, were excluded from the computation of earnings per share. Refer to Note 20 - Subsequent Events.

14. Retirement Plans and Benefits

Defined Benefit Plans
On June 30, 2007, the UFCW Local 174 Retail Pension Fund ("UFCW") experienced a mass withdrawal termination, which caused our Company to incur a mass withdrawal liability. On July 14, 2009, our Company signed a Transfer Agreement, pursuant to which our Company agreed to pay UFCW $0.7 million, representing the amount of the mass withdrawal liability owed to UFCW, including benefit payments from July 2007 through July 2009, which were already accrued in our Consolidated Financial Statements. The remainder of our mass withdrawal liability was settled by transferring the existing pension benefit liabilities relating to our employees and retirees from UFCW to the A&P Pension Plan. On July 29, 2009, the A&P Pension Plan has been amended for the transfer of the UFCW pension benefit obligation effective July 1, 2009.

During the 12 weeks ended December 5, 2009, we recorded a $2.0 million loss based on the terms of an expected settlement agreement with one of the participants in our non-qualified pension plan. In addition, during the 12 weeks ended December 5, 2009, we recognized a $0.1 million curtailment loss to immediately recognize the unrecognized prior service cost for years of service no longer expected to be rendered by former employees covered by our non-qualified Supplemental Executive Retirement Plan.

29

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

The components of net pension cost were as follows:

	For the 12 Weeks Ended		For the 40 Weeks
	Dec. 5, 2009	Nov. 29, 2008	Dec. 5, 2009

Service cost	$ 1,572	$ 1,861	$ 5,140
Interest cost	6,837	5,944	22,475
Expected return on plan assets	(5,708)	(7,097)	(19,027)
Curtailment loss	72	--	72
Amortization of:			
Net prior service cost	68	65	227
Actuarial loss	1,092	27	3,617
Pension asset loss	2,034	--	2,034
Special termination benefits	300	300	950
Net pension cost	$ 6,267	$ 1,100	$ 15,488

Contributions
As of December 5, 2009, we contributed approximately $5.2 million to our defined benefit plans. We plan to contribute approximately $1.8 million to our plans during the remainder of fiscal 2009.

Postretirement Plans
The components of net postretirement benefits cost (income) were as follows:

	For the 12 Weeks Ended		For the 40 Weeks
	Dec. 5, 2009	Nov. 29, 2008	Dec. 5, 2009
Service cost	$ 117	$ 234	$ 390
Interest cost	449	529	1,497
Amortization of:			
Prior service credit	(311)	(311)	(1,036)
Actuarial gain	(189)	--	(630)
Net postretirement benefits cost	$ 66	$ 452	$ 221

GHI Contractual Obligation
As of December 5, 2009 and February 28, 2009, the fair value of our contractual obligation to Grocery Hauler Inc.'s (GHI's) employees was $96.2 million and $91.4 million, respectively, using discount rates of 5.750% and 7.000%, respectively, which were derived from the published zero-coupon AA corporate bond yields. Our contractual obligation relates to pension benefits for GHI's employees and is included within "Other accruals" and "Other non-current liabilities" in our Consolidated Balance Sheets. Additions to our GHI contractual obligation for current service costs and actuarial gains and losses are recorded within "Cost of merchandise sold" in our Consolidated Statements of Operations at their current value. Accretion of the obligation to present value is recorded within "Interest expense" in our Consolidated Statements of Operations. During the 12 and 40 weeks ended December 5, 2009, we recognized service costs of $0.2 million and $0.6 million, respectively, and interest expense of $1.2 million and $16.6 million, respectively, representing interest accretion on this obligation, as well as the impact of the lower discount rate used to value this obligation, resulting from a decline in the published zero-coupon AA corporate bond yields for the year-to-date period. During the 40 weeks ended December 5, 2009, benefit payments of $12.5 million were made by the Pathmark Pension Plan.

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

15. Stock-Based Compensation

At December 5, 2009, we had two stock-based compensation plans, the 2008 Long Term Incentive and Share Award Plan and the 2004 Non-Employee Director Compensation Plan. The general terms of each plan are reported in our Fiscal 2008 Annual Report on Form 10-K.

The components of our compensation expense related to stock-based incentive plans were as follows:

	For the 12 Weeks Ended		For the 40 Weeks
	Dec. 5, 2009	Nov. 29, 2008	Dec. 5, 2009
Stock options	$ 441	$ 232	$ 1,256
Restricted stock units	340	--	791
Performance restricted stock units	(328)	(3,679)	2,082
Common stock granted to Directors	187	145	554
Total stock-based compensation	$ 640	$(3,302)	$ 4,683

A summary of stock-based compensation related grants for the 12 and 40 weeks ended December 5, 2009 is as follows:

	For the 12 Weeks Ended		For the 40 Weeks En	
	Underlying Shares	Weighted-Avg. Grant Date Fair Value	Underlying Shares	Weighte Grant Fair V
Stock options	--	$ --	1,010,319	$
Restricted stock units	4,676	6.35	1,445,715	
Performance restricted stock units	2,158	6.35	1,440,968	

During the 40 weeks ended December 5, 2009, we also granted common stock to each member of our Board of Directors valued at $90 thousand. The price of $4.33 was based upon the closing price of stock on the day of the grant following the Annual Meeting of Stockholders.

Stock Options

Options granted during fiscal 2009 vest 33% during each of the fiscal years 2009, 2010 and 2011. As of December 5, 2009, approximately $3.3 million, after tax, of total unrecognized compensation expense related to unvested stock option awards will be recognized over a weighted average period of 2.23 years.

(Dollars in thousands, except share and per share amounts)

The following weighted-average assumptions were used in the Black-Scholes pricing model for option grants that occurred during the 40 weeks ended December 5, 2009 and November 29, 2008:

	40 Weeks Ended Dec. 5, 2009	40 Weeks Ended Nov. 29, 2008
Expected life	7 years	7 years
Volatility	126%	52%
Risk-free interest rate	0.05%	2.96%

Restricted Stock

For restricted stock units granted in 2009, one-fourth of the awards will vest at the end of fiscal 2009 and three-fourths will vest at the end of fiscal 2011, subject to the recipients of such restricted stock units meeting the appropriate eligibility and service conditions. As of December 5, 2009, approximately $3.7 million, net of tax, of total unrecognized compensation expense relating to these restricted stock units is expected to be recognized through fiscal 2012.

Performance Restricted Stock

The performance restricted stock units issued during fiscal 2009 are earned based on our Company achieving certain operating targets in fiscal 2009. One-third of these awards are scheduled to vest at the end of fiscal 2009 and two-thirds at the end of fiscal 2010, subject to meeting the appropriate eligibility and service conditions. During the second quarter of fiscal 2009, we determined that the related performance conditions will not be achieved based on the changes in our forecast for fiscal 2009. Once this determination was made, our Company reversed the associated stock compensation expense recorded during the first quarter of fiscal 2009 and will no longer record future compensation expense for the 2009 grant. During the third quarter of fiscal 2009, increased forfeitures associated with the departure of certain high level employees resulted in a reversal of a portion of the previously recognized stock compensation expense.

On May 21, 2009, our Board of Directors modified the terms of the performance restricted stock units granted in fiscal 2007 under our executive and non-executive Closing & Integration Incentive Plan ("CLIIP"), by removing the achievement of specific stock price targets as a precondition to the vesting of earned units. The Board also approved a modification of the vesting schedule for non-executives such that earned units will vest as follows: one-third in July 2009, one-third in July 2010 and one-third in July 2011. Vesting of earned units for executives will occur on December 3, 2010. All vesting remains subject to the other terms and conditions of the CLIIP. Additionally, on July 16, 2009, the Board determined that 100% of the restricted stock units had been earned under the CLIIP. In connection with this decision, we reversed $0.4 million of previously recognized expense for the ancillary shares. As a result of the foregoing modification and Board determination, our Company will incur an additional incremental compensation cost of $1.5 million, of which $0.1 million and $0.6 million has been recorded during the 12 and 40 weeks ended December 5, 2009, respectively, and is being recognized over the remainder of the new vesting period.

Performance restricted stock units granted during fiscal 2006, 2007 and 2008 were based on our Company achieving certain operating targets in fiscal 2008, 2009 and 2010, respectively. During fiscal 2008, based on changes in the fiscal 2008 forecast and the three year strategic plan, our Company determined that the targets described under the terms of the 2006, 2007 and 2008 would probably not be met. As a result, during the 12 and 40 weeks ended November 29, 2008, we recorded a reversal of $5.2 million included in "Store operating, general and administrative expense" in our Consolidated Statements of Operations for compensation expense related to performance restricted stock that had been previously recognized. Of this amount, approximately $4.0 million should have been recorded in fiscal 2007 as our performance targets were no longer probable due to dispositions in advance of our acquisition of Pathmark. Had our Company recorded this reversal during fiscal 2007, the reversal for not meeting performance targets during the 12 weeks ended November 29, 2008 would have been approximately $3.0 million.

The total fair value of performance restricted stock units that vested during the 40 weeks ended December 5, 2009 and 40 weeks ended November 29, 2008 was $3.0 million and $12.1 million, respectively.

As of December 5, 2009, approximately $3.2 million of unrecognized fair value compensation expense relating to performance restricted stock units is expected to be recognized through fiscal 2011, based on estimates of attaining vesting criteria.

16. Income Taxes

For the 12 and 40 weeks ended December 5, 2009, our valuation allowance increased by $236.5 million and $258.2 million, respectively, to reflect generation of additional operating losses, remeasurement of our uncertain tax positions and impairment of indefinite lived intangible assets, partially offset by an adjustment to the valuation allowance that was released in connection with the original purchase price allocation for Pathmark. In future periods, we will continue to record a valuation allowance against net deferred tax assets that are created by losses until such time as the certainty of future tax benefits can be reasonably assured.

Our Company is subject to U.S. federal income tax, as well as income tax in multiple state and foreign jurisdictions. As of December 5, 2009, with a few exceptions, we remain subject to examination by federal, state and local tax authorities for tax years 2004 through 2008. At December 5, 2009 and February 28, 2009, we had unrecognized tax benefits of $8.9 million and $162.8 million, respectively. The remeasurement of our uncertain tax positions resulted in an increase in the valuation allowance on our net deferred tax asset and did not impact our effective tax rate. We do not expect that the amount of our gross unrecognized tax positions will change significantly in the next 12 months. For the 12 and 40 weeks ended December 5, 2009 and November 29, 2008, we did not record any interest or penalties within "Provision for income taxes" in our Consolidated Statements of Operations.

On July 30, 2008, The Housing Assistance Act of 2008 ("the Act") was signed into law. The Act contained a provision allowing corporate taxpayers to make an election to treat certain unused research and Alternative Minimum Tax (AMT) credit carryforwards as refundable in lieu of claiming bonus and accelerated depreciation for "eligible qualified property" placed in service through the end of fiscal 2008. The American Reinvestment and Recovery Tax Act, which was enacted on February 17, 2009, extended this election through 2009. We expect the refund to be approximately $1.7 million for the 40 weeks ended December 5, 2009, for a total refund of $4.7 million to date.

The effective tax rate on continuing operations of 2.4% and 37.9% for the 12 weeks ended December 5, 2009 and November 29, 2008, respectively, and 2.2% and 190.3% for the 40 weeks ended December 5, 2009 and November 29, 2008, respectively, varied from the statutory rate of 35%, primarily due to the recording of state and local income taxes, the recording of a deferred tax benefit related to the impairment of indefinite lived intangible assets, the recording of additional valuation allowance and the impact of the Pathmark financing.

As of December 5, 2009, we had $591.4 million in federal Net Operating Loss ("NOL") carryforwards that expire between 2023 and 2029, some of which are subject to an annual limitation. The federal NOL

carryforwards include $7.4 million related to the excess tax deductions relating to stock option plans that have yet to reduce income taxes payable. Upon utilization of these carryforwards, the associated tax benefits of approximately $2.6 million will be recorded in "Additional paid-in capital". In addition, our Company had state loss carryforwards of $5.6 million that expire during fiscal 2009 and approximately $1.0 billion that will expire between fiscal 2010 and fiscal 2029. Our Company's general business credits consist of federal and state work incentive credits, which expire between fiscal 2010 and fiscal 2029, some of which are subject to an annual limitation.

At December 5, 2009 and February 28, 2009, we had a net current deferred tax asset that is included in "Prepaid expenses and other current assets" on our Consolidated Balance Sheets of $6.2 million and $36.9 million, respectively, a net non-current deferred tax asset which is included in "Other Assets" on our Consolidated Balance Sheets of nil and $65.9 million, respectively, a net non-current deferred tax liability which is included in "Other non-current liabilities" of $22.4 million and nil, respectively, and a non-current tax liability for uncertain tax positions which is included in "Other noncurrent liabilities" of $8.9 million and $162.8 million as of December 5, 2009 and

February 28, 2009, respectively.

17. Operating Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Executive Chairman and Chief Executive Officer.

During the second quarter of fiscal 2008, our chief operating decision maker changed the manner by which our results are evaluated; therefore, our reportable segments have been revised to be consistent with the way we currently manage our business. Accordingly, we have revised our segment reporting to report in four reportable segments: Fresh, Price Impact, Gourmet and Other. The Other segment includes our Food Basics and Liquor businesses. The criteria necessary to classify the Midwest and Greater New Orleans areas as discontinued were satisfied in fiscal 2007 and these operations have been presented as such in our Consolidated Statements of Operations for all periods presented. Refer to Note 6 - Discontinued Operations for further discussion. Prior year information has been restated to conform to current year presentation.

The accounting policies for these segments are the same as those described in our Fiscal 2008 Annual Report on Form 10-K.

34

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

Interim information on segments is as follows:

	Sales by Category			
	For the 12 weeks ended		For the 40 weeks ended	
	Dec. 5, 2009	Nov. 29, 2008	Dec. 5, 2009	Nov. 29, 2008
Grocery (1)	$1,386,701	$1,506,284	$4,755,462	$5,045,012
Meat (2)	362,779	388,577	1,281,427	1,357,820
Produce (3)	213,212	226,093	781,107	823,423
Total	$1,962,692	$2,120,954	$6,817,996	$7,226,255

(1) The grocery category includes grocery, frozen foods, dairy, general merchandise/health and beauty aids, liquor and pharmacy.
(2) The meat category includes meat, deli, bakery and seafood.
(3) The produce category includes produce and floral.

	For the 12 weeks ended		
	Dec. 5, 2009	Nov. 29, 2008	Dec.
Sales			
Fresh	$ 973,556	$ 1,068,736	$ 3
Price Impact*	857,316	927,005	2
Gourmet	65,484	67,145	
Other	66,336	58,068	
Total sales	$ 1,962,692	$ 2,120,954	$ 6
Segment income (loss)			
Fresh	13,313	36,389	
Price Impact*	(16,501)	(2,236)	
Gourmet	6,804	6,735	
Other	(116)	548	
Total segment income	3,500	41,436	
Corporate	(23,573)	(24,013)	
Reconciling items**	(433,078)	(5,514)	
(Loss) income from continuing operations	(453,151)	11,909	
Nonoperating (loss) income	(15,944)	22,777	
Interest expense ***	(45,769)	(37,511)	
Interest and dividend income	51	86	
Loss from continuing operations before income taxes	$ (514,813)	$ (2,739)	$

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

The following table presents our segment depreciation and amortization:

	For the 12 weeks ended		For the 40
	Dec. 5, 2009	Nov. 29, 2008	Dec. 5, 2009
Segment depreciation and amortization			
Fresh	$ 18,997	$ 20,912	$ 64,443
Price Impact*	21,279	23,047	74,762
Gourmet	2,160	2,303	7,209
Other	1,126	866	3,361
Total segment depreciation and amortization - continuing operations	43,562	47,128	149,775
Corporate	12,251	13,410	41,610
Total company depreciation and			

amortization	$ 55,813	$ 60,538	$191,385

* Includes results from Fresh stores that have been subsequently converted to Price Impact stores.

** Reconciling items for the 12 and 40 weeks ended December 5, 2009, which are not included in segment income include: (i) goodwill, trademark and other long-lived asset impairment charges of ($412.6) million in both periods, (ii) losses on real estate activity of ($20.6) million and ($29.8) million, respectively, (iii) net restructuring and other of $(0.9) million and ($5.7) million, respectively, (iv) pension withdrawal costs of nil and ($2.4) million, respectively, and (v) LIFO reserve adjustments of $1.0 million and ($1.2) million, respectively. Reconciling items for the 12 and 40 weeks ended November 29, 2008 include: (i) Pathmark integration and other restructuring costs of ($2.5) million and ($25.1) million, respectively, (ii) LIFO reserve adjustments of ($1.3) million and ($4.2) million, respectively and (iii) real estate related activity of ($1.7) million and ($8.1) million, respectively.

*** The interest expense associated with the 6.750% Convertible Senior Notes increased by $0.8 million and $2.5 million, respectively, from the amounts reported in our Form 10-Q for the 12 and 40 weeks ended November 29, 2008 as a result of the retrospective application of the new accounting guidance relating to convertible debt, which we adopted during the first quarter of fiscal 2009. Refer to Note 11 - Indebtedness and Other Financial Liabilities for additional information.

18. Related Party Transactions

On August 4, 2009, the Company issued 60,000 shares of 8.0% Cumulative Convertible Preferred Stock, Series A-T, without par value, to affiliates of Tengelmann and 115,000 shares of 8.0% Cumulative Convertible Preferred Stock, Series A-Y, without par value, to affiliates of Yucaipa for net proceeds of approximately $162.2 million. Concurrently with the issuance of the Preferred Stock, the Company entered into an amended and restated stockholder agreement with Tengelmann (the "Amended and Restated Tengelmann Stockholder Agreement") and an amended and restated stockholder agreement with Yucaipa (the "Amended and Restated Yucaipa Stockholder Agreement" and, together with the Amended and Restated Tengelmann Stockholder Agreement, the "Stockholder Agreements"), amended its By-laws and filed Articles Supplementary with respect to the Preferred Stock, appointed two additional Yucaipa directors to the Company's Board and reelected four existing Tengelmann directors to the Company's Board.

Without Tengelmann and Yucaipa's approval, the Company may not consummate certain business combinations, issue additional equity securities, amend the Company's charter or by-laws, make amendments to Board committee charters which would circumvent the Stockholder Agreements, take actions which would dilute their ownership, take actions to amend certain of the Company's existing indebtedness or limit the Company's ability to pay cash dividends on the Preferred Stock. In addition, depending upon specified ownership thresholds maintained by Tengelmann and Yucaipa, without the approval of a majority of Tengelmann-appointed directors and at least one Yucaipa-appointed director, the Company may not enter into certain acquisitions or dispositions of assets, offer or repurchase equity securities, incur debt above specified levels or declare dividends on the Company's common stock. Based upon certain ownership thresholds, without Tengelmann's approval, the Company may not adopt certain

The Great Atlantic & Pacific Tea Company, Inc.
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands, except share and per share amounts)
(Unaudited)

anti-takeover measures or enter into affiliates transactions and the approval of a majority of Tengelmann directors may be required in order to adopt or amend any long-term strategic plan, adopt or amend any operating plan or budget or make capital expenditures over a certain threshold or appoint a chief executive officer.

The Company granted certain registration rights, preemptive rights and rights to nominate directors to the Company's Board to Tengelmann and Yucaipa and certain tag-along rights to Yucaipa. In addition, Yucaipa granted the Company a right of first offer under certain circumstances on the transfer of voting power, which if exercised by the Company would then provide Tengelmann the right to purchase any such securities, pursuant to an agreement between the Company and Tengelmann.

Until August 4, 2014, or earlier if certain conditions occur, Yucaipa is subject to a standstill provision which prevents Yucaipa, without the approval of the majority of the Board of Directors (excluding the directors designated by Yucaipa), from acquiring beneficial ownership of securities above a 35.5% common stock threshold. Prior to December 4, 2010, subject to limited exceptions, Yucaipa may not transfer its Preferred Stock and is prohibited from transferring any securities to certain designated persons.

19. Commitments and Contingencies

Supply Agreement

On March 7, 2008, we entered into a definitive agreement with C&S Wholesale Grocers, Inc. ("C&S") whereby C&S will provide warehousing, logistics, procurement and purchasing services (the "Services") in support of our Company's entire supply chain. This agreement expires on September 29, 2018. The agreement defines the parties' respective responsibilities for the procurement and purchase of merchandise intended for use or resale at our Company's stores, as well as the parties' respective remuneration for warehousing and procurement/purchasing activities. In consideration for the services it provides under the agreement, C&S will be paid an annual fee and will have incentive income opportunities based upon our cost savings and increases in retail sales volume. The contract provides that we will purchase virtually all of our warehoused inventory from C&S.

Lease Related

Lease Assignment

On August 14, 2007, Pathmark entered into a leasehold assignment contract for the sale of its leasehold interests in one of its stores to CPS Operating Company LLC, a Delaware limited liability company ("CPS"). Pursuant to the terms of the agreement, Pathmark was to receive $87.0 million for assigning and transferring to CPS all of Pathmark's interest in the lease and CPS was to have assumed all of the duties and obligations of Pathmark under the lease. CPS deposited $6.0 million in escrow as a deposit against the purchase price for the lease, which is non-refundable to CPS, except as otherwise expressly provided in the agreement. The assignment of the lease was scheduled to close on December 28, 2007. On December 27, 2007, CPS issued a notice terminating the agreement for reason of a purported breach of the agreement, which, if proven, would require the return of the escrow. We are disputing the validity of CPS's notice of termination as we believe CPS's position is without merit. Because we are challenging the validity of

CPS's December 27, 2007 notice of termination, we issued our own notice to CPS on December 31, 2007, asserting CPS's breach of the agreement as a result of their failure to close on December 28, 2007. CPS's breach, if proven, would entitle us to keep the escrow. Both parties have taken legal action to obtain the $6.0 million deposit held in escrow.

Other

In the normal course of business, we have assigned to third parties various leases related to former operating stores (the "Assigned Leases") for which we generally remained secondarily liable. As such, if any of the assignees were to become unable to make payments under the Assigned Leases, we could be required to assume the lease obligation. As of December 5, 2009, 187 Assigned Leases remain in place. Assuming that each respective assignee became unable to make payments under an Assigned Lease, an event we believe to be remote, we estimate our maximum potential obligation with respect to the Assigned Leases to be approximately $586.8 million, which could be partially or totally offset by reassigning or subletting these leases.

Legal Proceedings

Antitrust Class Action Litigation

In connection with a settlement reached in the VISA/MasterCard antitrust class action litigation, our Company is entitled to a portion of the settlement fund that will be distributed to class members. Pursuant to our review of our historical records as well as estimates provided by the Claims Administrator, we recorded a pre-tax recovery of $2.2 million as a credit to "Store operating, general and administrative expense" in our Statements of Consolidated Operations during fiscal 2008. During the third quarter of fiscal 2009, we recorded an additional pre-tax recovery of $2.1 million as a credit to "Store operating, general and administrative expense." We are continuing to work with the Claims Administrator to ensure that any additional monies owed to our Company in connection with this litigation are received. This process may result in additional recoveries being recorded in future periods.

LaMarca et al v. The Great Atlantic & Pacific Tea Company, Inc et al.
("Defendants")

On June 24, 2004, a class action complaint was filed in the Supreme Court of the State of New York against The Great Atlantic & Pacific Tea Company, Inc., d/b/a A&P, The Food Emporium, and Waldbaum's alleging violations of the overtime provisions of the New York Labor Law. Three named plaintiffs, Benedetto LaMarca, Dolores Guiddy, and Stephen Tedesco, alleged on behalf of a class that our Company failed to pay overtime wages to full-time hourly employees who were either required or permitted to work more than 40 hours per week.

In April 2006, the plaintiffs filed a motion for class certification. In July 2007, the Court granted the plaintiffs' motion and certified the class as follows: All full-time hourly employees of Defendants who were employed in Defendants' supermarket stores located in the State of New York, for any of the period from June 24, 1998 through the date of the commencement of the action, whom Defendants required or permitted to perform work in excess of 40 hours per week without being paid overtime wages. In December 2008, the Court approved the Form of Notice, which included an "opt-out" provision and in January 2009, the Plaintiffs mailed the Notice to potential class members and the opt-out deadline expired in March 2009. The parties have commenced discovery. Our Company intends to move to decertify the class once certain discovery has been completed.

As discovery on the plaintiffs has recently commenced, neither the number of class participants nor the sufficiency of their respective claims can be determined at this time.

Other

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. We are also subject to certain environmental claims. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated results of operations, financial position or cash flows.

20. Subsequent Events

Our Company has evaluated and disclosed any significant subsequent events below that have occurred from December 5, 2009 through January 12, 2009. We were not required to recognize in our financial statements the effect of our subsequent event, which is described below, as it arose after our balance sheet date.

On December 15, 2009, we obtained shareholder approval authorizing the convertibility of 117,250 shares of our Series A Convertible Preferred Stock that was classified as a "Preferred stock liability" as of December 5, 2009 into common stock. Upon receiving shareholder approval, we will reclassify $109.1 million in the fourth quarter of fiscal 2009, representing the book value of the liability at the date of the shareholder approval net of the related debt issuance costs, to temporary stockholders' equity. The shares that will be reclassified to temporary stockholders' equity contain an embedded beneficial conversion feature as the fair value of the Company's common stock on August 4, 2009, $5.67 per share, was in excess of the effective conversion price of $4.74 per share, which represents the $5.00 per share conversion price reduced for fees paid to the investors. This embedded beneficial conversion feature will result in a discount of $21.8 million, which will be recorded within "Additional paid-in capital" and will be amortized from December 15, 2009 through the stated redemption date.

On January 6, 2010, Bank of America, N.A. returned 1,500,000 common shares that were previously borrowed under our December 2007 share lending agreement. The returned shares were immediately retired, reducing the number of shares issued and outstanding. The return of these shares will have no impact on the computations of our basic and diluted earnings per share, since the shares underlying the share lending agreement are removed from these computations, unless the borrower defaults on returning them.

ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand the financial position, operating results, and cash flows of The Great Atlantic & Pacific Tea Company, Inc. It should be read in conjunction with our consolidated financial statements and the accompanying notes ("Notes"). It discusses matters that Management considers relevant to understanding the business environment, financial position, results of operations and our Company's liquidity and capital resources. These items are presented as follows:

- Overview - a general description of our business and segment structure.
- Operating Results - a discussion of the value drivers of our business; measurements; opportunities; challenges and risks; and initiatives.
- Outlook - a discussion of certain trends or business initiatives for the remainder of fiscal 2009 to assist in understanding the business.
- Results of Operations and Liquidity and Capital Resources - a discussion of results for the 12 weeks ended December 5, 2009 compared to the 12 weeks ended November 29, 2008; results for the 40 weeks ended December 5, 2009 compared to the 40 weeks ended November 29, 2008; current and expected future liquidity; and the impact of various market risks on our Company.
- Critical Accounting Estimates - a discussion of significant accounting estimates made by Management.

OVERVIEW

The Great Atlantic & Pacific Tea Company, Inc., based in Montvale, New Jersey, operates conventional supermarkets, combination food and drug stores and discount food stores in 8 U.S. states and the District of Columbia. Our Company's business consists strictly of our retail operations, which totaled 433 stores as of December 5, 2009.

During the 40 weeks ended December 5, 2009, we operated in four reportable segments: Fresh, Price Impact, Gourmet and Other. The Other segment includes our Food Basics and Liquor businesses. The Midwest and Greater New Orleans area operations have been classified as discontinued in our Consolidated Statements of Operations for all periods presented.

OPERATING RESULTS

This quarter has been especially challenging for our Company due to the difficult economic environment. Unemployment, deflation and the resulting price competition combined with consumers' drastic change in spending behavior has severely impacted our business. Further, the grocery retail industry has been affected by the heavy entrance of wholesale clubs and supercenters which has significantly reduced overall market share of conventional supermarkets. As a result, our comparable store sales, which include stores that have been in operation for at least one full fiscal year and replacement stores, declined by 5.8% this quarter.

Our operating results for the four formats in which our business operates to enable us to service customers in every market we serve were as follows:

Fresh
(A&P, Waldbaum's and SuperFresh)

This quarter, our Fresh format was negatively affected by the poor economic environment. Deflation has accelerated more in the third quarter than we have experienced in prior quarters resulting in an industry-wide decrease in sales. Rising deflation caused sales dollars to decline across our industry resulting in high promotional spending given the volatile price competition. We are developing strategies to address the challenging economic environment and to improve performance in the future, primarily focused on pricing and promotional initiatives to meet the needs of our consumers.

Price Impact
(Pathmark and Pathmark Sav-A-Center)

Our original Price Impact format stores experienced a significant year-over-year decline primarily resulting from continued higher promotional spending and reduction in prices to stay competitive. Our stores that have been converted from legacy A&P banners continue to perform well, benefiting from their more favorable A&P legacy cost structure combined with the higher sales per square foot generated by our Pathmark locations. As with our Fresh format, we are currently implementing a number of performance initiatives.

This quarter, as a result of the continued and dramatic decline in the results of this business, we impaired our long-lived assets by $40.8 million, our Pathmark Trademark by $49.9 million and goodwill by $321.8 million. Continued declining operational results may lead to additional impairments in the future.

Gourmet
(The Food Emporium)

Our Gourmet stores located in Manhattan continue to generate segment income growth despite the economic crisis, primarily due to an increased gross margin rate. We attribute this growth to the premium locations of our Gourmet stores and product offering selective to the neighborhood.

Other
(Food Basics, Best Cellars and A&P Liquors)

Our Best Cellars and Liquor businesses continued to perform well with a year-over-year increase in segment income due to positive comparable store sales and improved gross margin rate. Our Best Cellars business has been recently recognized by the Wine Enthusiasts Magazine as the "Wine Retailer of the Year".

Our Food Basics format has experienced negative segment income this quarter as the increase in sales and gross margin was more than offset by the year-over-year increase in operating costs, primarily relating to labor and occupancy.

The Great Atlantic & Pacific Tea Company, Inc.
Management's Discussion and Analysis - Continued

OUTLOOK

Many of the top analysts predict that the economic environment will continue to be difficult, especially as it pertains to our industry. The decline in consumer credit availability, combined with the increase in the rate of savings and the high rate of unemployment, which is expected to continue through 2011, make for a challenging economic environment. These factors are having an increasingly negative impact on our operations.

In October 2009, we announced that Mr. Eric Claus, our former President and Chief Executive Officer has left the Company effective immediately. We have commenced our search for the new CEO and hope to have the new CEO in place by the beginning of our new fiscal year. In the interim our Executive Chairman, Mr. Christian Haub, has assumed the CEO responsibilities, a position he previously held from 1998 until 2005. In the meanwhile, we are engaged with Yucaipa, one of our significant investors, who has been working with our senior management team to develop strategies to drive sustainable success in the future by developing a number of activities and initiatives to combat these influences and improve the performance of the Company. While these initiatives have been designed to improve the performance of our operations, they are based on our management's assumptions in light of the currently available information and cannot guarantee future performance. Our future performance is subject to uncertainties and other risk factors that could have a negative impact on our business and cause actual results to differ materially from our expectations. Refer to Part II. - Item 1A for a description of our Risk Factors.

RESULTS OF OPERATIONS AND LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial information presents the results related to our operations of discontinued businesses separate from the results of our continuing operations. The discussion and analysis that follows focuses on continuing operations. Unless otherwise indicated, all amounts are in millions, except share and per share amounts.

12 WEEKS ENDED DECEMBER 5, 2009 COMPARED TO THE 12 WEEKS ENDED NOVEMBER 29, 2008

The following table summarizes our results of operations for the 12 weeks ended December 5, 2009 compared to the 12 weeks ended November 29, 2008:

	12 Weeks Ended Dec. 5, 2009	12 Weeks Ended Nov. 29, 2008	Favorable (Unfavorable)
	(in millions, except percentages and per share d		
Sales	$ 1,962.7	$ 2,121.0	$ (158.3)
(Decrease) increase in comparable store sales	(5.8)%	1.9%	NA
Loss from continuing operations	$ (502.4)	$ (3.8)	$ (498.6)

Loss from discontinued operations	$ (57.2)	$ (10.6)	$ (46.6)
Net loss	$ (559.6)	$ (14.4)	$ (545.2)
Net loss per share - basic	$ (10.50)	$ (0.27)	$ (10.23)
Net loss per share - diluted	$ (14.35)	$ (1.90)	$ (12.45)

Average weekly sales per supermarket were approximately $398,400 for the third quarter of fiscal 2009 versus $417,800 for the corresponding period of the prior year, a decrease of 4.6%, primarily due to the overall decline in our sales resulting from the current economic environment and its negative effect on consumer spending, as well as a lower rate of inflation.

SALES

	For the 12 weeks ended	
	Dec. 5, 2009	Nov. 29, 2008
	(in thousands)	
Fresh	$ 973,556	$1,068,736
Price Impact*	857,316	927,005
Gourmet	65,484	67,145
Other	66,336	58,068
Total sales	$1,962,692	$2,120,954

----

* Includes sales from Fresh stores that have been subsequently converted to Price Impact stores.

Sales decreased from $2,121.0 million for the 12 weeks ended November 29, 2008 to $1,962.7 million for the 12 weeks ended December 5, 2009, primarily due to a decrease in comparable stores sales, reflecting the impact of accelerated cost deflation and retail price deflation resulting from increased promotional spending. Sales also decreased due to the absence of sales resulting from store closures, partially offset by sales from new stores. The decrease in sales in our Fresh segment of $95.2 million was primarily related to the decline in the comparable store sales of $74.5 million and the absence of sales resulting from store closures of $20.7 million. The decrease in sales in our Price Impact segment of $69.7 million was primarily due to a decline in comparable store sales of $56.1 million and the absence of sales resulting from store closures of $27.0 million, partially offset by an increase in sales from new stores of $13.4 million. Sales generated by our Gourmet segment decreased by $1.7 million, primarily due to a decline in comparable store sales. The sales increase of $8.3 million, or 14.2%, in our Other segment, representing Discount and Liquor, was primarily driven by sales generated by three new Discount stores of $7.4 million.

GROSS MARGIN

Gross margin of $590.6 million decreased 105 basis points as a percentage of sales to 30.09% for the 12 weeks ended December 5, 2009 from gross margin of $660.4 million or 31.14% for the 12 weeks ended November 29, 2008, primarily due to lower margins from our Price Impact and Fresh segments, reflecting the impact of accelerated deflation and increased promotions during the 12 weeks ended December 5, 2009. Partially offsetting the overall gross margin decline were improved margins from our Gourmet segment.

The following table details the dollar impact of items affecting the gross margin dollar decrease from the third quarter of fiscal 2008 to the third quarter of fiscal 2009 (in millions):

	Sales Volume	Gross Margin Rate	Total
Total Company	$ (48.8)	$ (21.0)	$ (69.8)

STORE OPERATING, GENERAL AND ADMINISTRATIVE EXPENSE

Our Store operating, general and administrative ("SG&A") expense was $631.2 million or 32.16% as a percentage of sales for the third quarter of fiscal 2009, as compared to $648.5 million or 30.57% as a percentage of sales for the third quarter of fiscal 2008.

Included in SG&A for the 12 weeks ended December 5, 2009 were the following costs: (i) net real estate related costs of $20.6 million, or 105 basis points, and (ii) net restructuring and other charges of $0.9 million, or 5 basis points.

SG&A for the third quarter of fiscal 2008 included (i) Pathmark integration and other restructuring related costs of $2.0 million, or 10 basis points, (ii) costs relating to a voluntary labor buyout program of $3.0 million, or 14 basis points, (iii) costs relating to our withdrawal of the Grocery Haulers, Inc. employees servicing Pathmark Stores from the Local 863 Union Multiemployer Pension Plan to our Company of $2.7 million, or 13 basis points, and (iv) net losses on real estate activity of $1.7 million, or 8 basis points. These costs were partially offset by a reversal of $5.2 million, or 25 basis points, for compensation expense related to restricted stock that had been previously recognized for performance targets that are no longer probable of being met, as discussed in Note 15 to our Consolidated Financial Statements - Stock Based Compensation.

Excluding the items listed above, SG&A as a percentage of sales increased by 69 basis points during the third quarter of fiscal 2009 as compared to the third quarter of fiscal 2008, primarily due to lower sales leverage on fixed costs, including increased labor costs of 71 basis points, advertising related costs of 22 basis points and occupancy related costs of 11 basis points, partially offset by a decrease in corporate and banner administrative expenses of 36 basis points.

During the 12 weeks ended December 5, 2009 and November 29, 2008, we recorded impairment losses on long-lived assets due to closure or conversion of stores in the normal course of business of $1.3 million and $0.9 million, respectively.

The effects of changes in estimates of useful lives were not material to ongoing depreciation expense. If current operating levels do not improve, there may be a need to take further actions which may result in additional future impairments on long-lived assets, including the potential for impairment of assets that are held and used.

GOODWILL, TRADEMARK AND LONG-LIVED ASSET IMPAIRMENT

During the 12 weeks ended December 5, 2009, we performed interim impairment testing of our long-lived asset groupings that have experienced increasingly severe operating losses during the last two years. As a result, we recorded an impairment charge of $40.8 million for three asset groups' long-lived assets within our Price Impact reporting unit, primarily relating to favorable leases and other long-lived assets. Refer to Note 5 to our Consolidated Financial Statements - Valuation of Long-Lived Assets for additional information.

Due to the severity and duration of operating losses within the Price Impact reporting unit, changes in our management's long-term forecasts relating to the Price Impact reporting unit, and the significant impairment of long-lived assets within the Price Impact reporting unit, we concluded that an interim triggering event had occurred for purposes of determining whether any portion of the $321.8 million goodwill balance and $127.3 million trademark recorded within our Price Impact segment has been impaired. As a result of our impairment testing, we impaired the entire $321.8 million goodwill balance and $49.9 million of the trademark balance within our Price Impact reporting unit. Refer to Note 3 to our Consolidated Financial Statements - Goodwill and Other Intangible Assets for additional information.

We believe our estimates used to perform the interim impairment analysis of our goodwill, trademark and long-lived assets are appropriate given the current market conditions; however, future impairment charges could be required due to changes in the market conditions or other factors relating to our performance.

SEGMENT INCOME (LOSS)

	For the 12 weeks ended	
	Dec. 5, 2009	Nov. 29, 2008
	(in thousands)	
Fresh	$ 13,313	$ 36,389
Price Impact*	(16,501)	(2,236)
Gourmet	6,804	6,735
Other	(116)	548

Total segment income	$ 3,500	$ 41,436

----

* Includes results from Fresh stores that have been subsequently converted to Price Impact stores.

Segment income decreased $37.9 million from $41.4 million for the 12 weeks ended November 29, 2008 to $3.5 million for the 12 weeks ended December 5, 2009. The decrease in segment income of $23.1 million from our Fresh segment was primarily driven by the decline in sales and the reduced gross margin, partially offset by negotiated cost reductions and reduced labor and occupancy costs. Our Price Impact segment experienced a decline in segment income of $14.3 million, which was attributable to lower sales and gross margins, primarily resulting from reductions in everyday prices to stay competitive and higher promotional spending for this segment, partially offset by reduced productive labor, transportation costs and occupancy expenses. Segment income from our Gourmet business increased by $0.1 million, primarily as a result of an improved gross margin rate, partially offset by a reduction in sales. The decrease in segment income of $0.7 million from our Other segment, representing Discount and Liquor, was primarily driven by increased productive labor and occupancy expenses, partially offset by increased sales. Refer to Note 17 - Operating Segments for further discussion of our reportable operating segments.

NONOPERATING INCOME (LOSS)

During the third quarter of fiscal 2009 and 2008, we recorded unfavorable fair value adjustments of $15.9 million and favorable fair value adjustments of $22.8 million, respectively, relating to our Series B warrants acquired in connection with our purchase of Pathmark. These adjustments are a function of fluctuations in the market price of our Company's common stock.

INTEREST EXPENSE

Interest expense of $45.8 million for the third quarter of fiscal 2009 increased from the prior year expense of $37.5 million, primarily due to (i) $7.0 million of interest expense relating to our $260 million offering of 11.375% senior secured notes due 2015 that were issued in August 2009, (ii) $2.4 million of interest expense relating to dividends and issuance cost amortization on the portion of our preferred stock issued in August 2009 that was classified as a liability, and (iii) $1.2 million of interest expense recorded during the third quarter of fiscal 2009, to reflect interest accretion relating to our GHI contractual obligation, partially offset by $3.1 million of reduced interest expense relating to our bank borrowings resulting from our repayments of a portion of our variable debt using proceeds from our senior notes and preferred stock offerings.

During the third quarter of fiscal 2009 and 2008, we recorded additional non-cash interest expense of $1.0 million and $0.8 million, respectively, relating to our $255.0 million aggregate principal amount of the

6.750% Convertible Senior Notes that were issued in December 2007, as a result of our adoption of FSP APB Opinion No. 14-1, "Accounting for Convertible Debt

Instruments that May be Settled in Cash Upon Conversion" during the first quarter of fiscal 2009.

INCOME TAXES

The benefit from income taxes from continuing operations for the third quarter of fiscal 2009 was $12.4 million, compared to the provision for income taxes of $1.0 million for the third quarter of fiscal 2008. Consistent with prior fiscal year, we continue to record a valuation allowance against our net deferred tax assets.

The effective tax rates on continuing operations of 2.4% and 37.9% for the 12 weeks ended December 5, 2009 and November 29, 2008, respectively, varied from the statutory rate of 35%, primarily due to the recording of state and local income taxes, the recording of a deferred tax benefit related to the impairment of indefinite lived intangible assets, the recording of additional valuation allowance and the impact of the Pathmark financing.

DISCONTINUED OPERATIONS

The loss from operations of discontinued businesses, net of tax, for the third quarter of fiscal 2009 of $57.2 million increased from a loss from operations of discontinued businesses, net of tax, of $12.5 million for the third quarter of fiscal 2008, primarily due to higher occupancy related expenses recorded during the third quarter of fiscal 2009 due to changes in our estimation of such future costs due to the continuing deteriorating economic conditions in the Midwest real estate market, including the recent bankruptcies in the auto industry. We now expect our occupancy costs to be higher as the current economic conditions affecting the Midwest real estate market are expected to persist for some time and subleased properties in the area have been occurring at heavily discounted rates as compared to the related contractual agreements. The gain on disposal of discontinued operations of $1.8 million for the third quarter of fiscal 2008 related to the sale of land in the Greater New Orleans area.

40 WEEKS ENDED DECEMBER 5, 2009 COMPARED TO THE 40 WEEKS ENDED NOVEMBER 29, 2008

The following table summarizes our results of operations for the 40 weeks ended December 5, 2009 compared to the 40 weeks ended November 29, 2008:

	40 Weeks Ended Dec. 5, 2009	40 Weeks Ended Nov. 29 2008	Favorable (Unfavorable)
	(in millions, except percentages and per share		
Sales	$ 6,818.0	$ 7,226.3	$ (408.3)
(Decrease) increase in comparable store sales	(4.2)%	2.7%	NA
Loss from continuing operations	$ (622.9)	$ (5.3)	$ (617.6)
Loss from discontinued operations	$ (82.2)	$ (26.0)	$ (56.2)
Net loss	$ (705.1)	$ (31.3)	$ (673.8)
Net loss per share - basic	$ (13.31)	$ (0.62)	$ (12.69)
Net loss per share - diluted	$ (25.42)	$ (3.18)	$ (22.24)

Average weekly sales per supermarket were approximately $412,900 for the 40 weeks ended December 5, 2009 versus $425,700 for the corresponding period of the prior year, a decrease of 3.0%, primarily due to the overall decline in our sales resulting from the current economic environment and its negative effect on consumer spending, as well as a lower rate of inflation.

The Great Atlantic & Pacific Tea Company, Inc.
Management's Discussion and Analysis - Continued

SALES

	For the 40 weeks ended	
	Dec. 5, 2009	Nov. 29, 2008
	(in thousands)	
Fresh	$3,403,009	$3,649,363
Price Impact*	2,995,194	3,176,986
Gourmet	206,875	208,890
Other	212,918	191,016
Total sales	$6,817,996	$7,226,255

* Includes sales from Fresh stores that have been subsequently converted to Price Impact stores.

Sales decreased from $7,226.3 million for the 40 weeks ended November 29, 2008 to $6,818.0 million for the 40 weeks ended December 5, 2009, primarily due to a decrease in comparable store sales and the absence of sales resulting from store closures, partially offset by sales from new stores. The decrease in sales in our Fresh segment of $246.4 million was primarily related to a decline in the comparable store sales of $174.7 million and the absence of sales resulting from store closures of $71.7 million. The decrease in sales in our Price Impact segment of $181.8 million was primarily due to a decline in comparable store sales of $135.0 million and the absence of sales resulting from store closures of $77.0 million, partially offset by an increase in sales from new stores of $30.2 million. Sales generated by our Gourmet segment decreased by $2.0 million, primarily due to a decline in comparable store sales. The sales increase of $21.9 million, or 11.5%, in our Other segment, representing Discount and Liquor, was primarily driven by increased sales generated by our Discount business, primarily due to sales from three new stores of $15.3 million and increased comparable store sales of $6.3 million.

GROSS MARGIN

Gross margin of $2,058.8 million decreased 18 basis points as a percentage of sales to 30.20% for the 40 weeks ended December 5, 2009 from gross margin of $2,195.5 million or 30.38% for the 40 weeks ended November 29, 2008, reflecting lower margins from our Price Impact segment, partially offset by improved margins from our Fresh and Gourmet segments.

The following table details the dollar impact of items affecting the gross margin dollar decrease from the 40 weeks ended November 29, 2008 to the 40 weeks ended December 5, 2009 (in millions):

	Sales Volume	Gross Margin Rate	Total
Total Company	$ (124.0)	$ (12.7)	$ (136.7)

STORE OPERATING, GENERAL AND ADMINISTRATIVE EXPENSE

Our SG&A expense was $2,109.8 million or 30.94% as a percentage of sales for the 40 weeks ended December 5, 2009, as compared to $2,193.0 million or 30.35% as a percentage of sales for the 40 weeks ended November 29, 2008.

Included in SG&A for the 40 weeks ended December 5, 2009 are: (i) net real estate related costs of $29.8 million, or 44 basis points, (ii) net restructuring and other costs of $5.7 million, or 8 basis points, and (iii) pension withdrawal costs of $2.4 million, or 4 basis points.

SG&A for the 40 weeks ended November 29, 2008 included (i) Pathmark integration and other restructuring related costs of $27.1 million, or 38 basis points, (ii) net losses on real estate activity of $8.1 million, or 11 basis points, (iii) costs relating to a voluntary labor buyout program of $3.0 million, or 4 basis points and (iv) costs relating to our withdrawal of the Grocery Haulers, Inc. employees servicing Pathmark Stores from the Local 863 Union Multiemployer Pension Plan to our Company of $2.7 million, or 4 basis points. These costs were partially offset by a reversal of $5.2 million, or 7 basis points, for compensation expense related to restricted stock that had been previously recognized for performance targets that are no longer probable of being met, as discussed in Note 15 - Stock Based Compensation.

Excluding the items listed above, SG&A as a percentage of sales increased by 53 basis points during the 40 weeks ended December 5, 2009 as compared to the 40 weeks ended November 29, 2008, primarily due to lower sales leverage on fixed costs, including increased labor costs of 54 basis points and increased advertising related costs of 11 basis points, partially offset by a decrease in corporate and banner administrative expenses of 20 basis points.

During the 40 weeks ended December 5, 2009 and November 29, 2008, we recorded impairment losses on long-lived assets due to closure or conversion of stores in the normal course of business of $5.0 million and $2.7 million, respectively.

The effects of changes in estimates of useful lives were not material to ongoing depreciation expense. If current operating levels do not improve, there may be a need to take further actions which may result in additional future impairments on long-lived assets, including the potential for impairment of assets that are held and used.

GOODWILL, TRADEMARK AND LONG-LIVED ASSET IMPAIRMENT

During the 40 weeks ended December 5, 2009, we impaired the entire $321.8 million balance of goodwill and $49.9 million of the $127.3 million trademark balance recorded within our Price Impact reporting unit. We also recorded a long-lived asset impairment charge of $40.8 million primarily relating to certain favorable leases and other long-lived assets within our Price Impact reporting unit. Refer to Goodwill and Long-Lived Asset Impairment within Results of Operations for the 12 Weeks ended December 5, 2009 compared to the 12 Weeks ended November 29, 2008 above for additional information relating to these charges.

SEGMENT INCOME (LOSS)

	For the 40 weeks ended	
	Dec. 5, 2009	Nov. 29, 2008
	(in thousands)	
Fresh	$ 87,322	$101,211
Price Impact*	(33,589)	14,978
Gourmet	18,234	16,610
Other	1,541	1,825
Total segment income	$ 73,508	$134,624

* Includes results from Fresh stores that have been subsequently converted to Price Impact stores.

Segment income decreased $61.1 million from $134.6 million for the 40 weeks ended November 29, 2008 to $73.5 million for the 40 weeks ended December 5, 2009. The decrease in segment income of $13.9 million from our Fresh segment was primarily driven by the decline in sales and the reduced gross margin,

partially offset by negotiated cost reductions and reduced labor and occupancy costs. Our Price Impact segment experienced a decline in segment income of $48.6 million, which was attributable to lower sales and gross margins, primarily resulting from higher promotional spending and reductions in everyday prices for this segment, partially offset by reduced productive labor, supply and logistics, and occupancy costs. Segment income from our Gourmet business improved by $1.6 million, primarily as a result of an improved gross margin rate, partially offset by a reduction in sales. The decrease in segment income of $0.3 million in our Other segment, representing Discount and Liquor, was primarily driven by increased productive labor and occupancy expenses, partially offset by increased sales. Refer to Note 17 - Operating Segments for further discussion of our reportable operating segments.

NONOPERATING INCOME (LOSS)

During the 40 weeks ended December 5, 2009 and November 29, 2008, we recorded unfavorable fair value adjustments of $24.9 million and favorable fair value adjustments of $114.3 million, respectively, relating to our Series B warrants acquired in connection with our purchase of Pathmark, the conversion features related to our 5.125% convertible senior notes and our 6.750% convertible senior notes, and our financing warrants issued in connection with our convertible senior notes. These adjustments are a function of fluctuations in the market price of our Company's common stock.

INTEREST EXPENSE

Interest expense of $148.6 million for the 40 weeks ended December 5, 2009 increased from the prior year expense of $119.1 million, primarily due to $16.6 million of interest expense recorded during the 40 weeks ended December 5, 2009, to reflect the impact of the lower discount rate used to revalue our GHI contractual obligation at December 5, 2009 than at February 28, 2009, which is derived each period from published zero-coupon AA corporate bond yields, as well as interest accretion relating to this obligation. During the 40 weeks ended December 5, 2009, we also recorded $10.7 million of interest expense relating to our $260 million 11.375% senior secured notes due 2015 that were issued in August 2009 and $3.6 million of interest expense relating to dividends and issuance cost amortization on the portion of our preferred stock issued in August 2009 that was classified as a liability due to the fact that it cannot be converted to common stock without shareholder approval. These increases in interest expense were partially offset by $4.5 million of reduced interest expense relating to bank borrowings resulting from our repayments of a portion of our variable debt using proceeds from the August 2009 offerings of senior notes and preferred stock.

During the 40 weeks ended December 5, 2009 and November 29, 2008, we recorded additional non-cash interest expense of $3.2 million and $2.5 million, respectively, relating to our $255 million aggregate principle amount of the 6.750% Convertible Senior Notes that were issued in December 2007, as a result of our adoption of the new accounting guidance relating to convertible debt instruments with cash settlement features during the first quarter of fiscal 2009.

INCOME TAXES

The benefit from income taxes from continuing operations for the 40 weeks ended December 5, 2009 was $14.0 million, compared to the provision for income taxes of $3.5 million for 40 weeks ended November 29, 2008. Consistent with prior fiscal year, we continue to record a valuation allowance against our net deferred tax assets.

The effective tax rates on continuing operations of 2.2% and 190.3% for the 40 weeks ended December 5, 2009 and November 29, 2008, respectively, varied from the statutory rate of 35%, primarily due to the recording of state and local income taxes, the recording of a deferred tax benefit related to the impairment of indefinite lived intangible assets, the recording of additional valuation allowance and the impact of the Pathmark financing.

DISCONTINUED OPERATIONS

The loss from operations of discontinued businesses, net of tax, for the 40 weeks ended December 5, 2009 of $82.2 million increased from a loss from operations of discontinued businesses, net of tax, of $30.6 million for the 40 weeks ended November 29, 2008, primarily due to higher occupancy related expenses recorded during the 40 weeks ended December 5, 2009 due to changes in our estimation of such costs due to continuing deteriorating conditions in the Midwest real estate market. The gain on disposal of discontinued operations of $4.7 million, net of tax, recorded during the 40 weeks ended November 29, 2008, primarily related to the sale of our Eight O'Clock Coffee business in fiscal 2003 due to the settlement of a contingent note whose value and payment was based upon certain elements of the future performance of the Eight O'Clock Coffee business and was not originally recorded in the gain during fiscal 2003, as well as a $1.8 million gain on sale of land in the Greater New Orleans area.

CASH FLOWS

The following table presents excerpts from our Consolidated Statement of Cash Flows (in thousands):

	40 weeks ended	
	Dec. 5, 2009	Nov. 29, 2008
Net cash used in operating activities	$ (51,896)	$ (48,214)
Net cash used in investing activities	$ (58,296)	$ (56,999)
Net cash provided by financing activities	$ 216,659	$ 165,427

Net cash used in operating activities increased by $3.7 million for the 40 weeks ended December 5, 2009 as compared to 40 weeks ended November 29, 2008, which primarily reflected our net loss adjusted by our net non-cash charges and changes in our operating working capital. Refer to Working Capital below for a discussion of changes in working capital items for the 40 weeks ended December 5, 2009.

Net cash used in investing activities increased by $1.3 million for the 40 weeks ended December 5, 2009 as compared to the 40 weeks ended November 29, 2008, primarily due to a decline of $14.4 million in proceeds received from disposals of property, partially offset by reduced property expenditures of $13.8 million. Property expenditures totaled $71.9 million for the 40 weeks ended December 5, 2009, reflecting 5 additions, 6 remodels and 4 conversions, as compared to $85.7 million for same prior year period, which included 4 new stores, 10 remodels, 13 major remodels, 1 major enlargement and 2 conversions. For the remainder of 2009, we plan to focus our capital expenditures on building a new store and one store enlargement that are expected to be completed in 2010.

Net cash provided by financing activities increased by $51.2 million for the 40 weeks ended December 5, 2009 as compared to the 40 weeks ended November 29, 2008, primarily due to $253.2 million in proceeds from issuance of long-term debt and $175.0 million from issuance of preferred stock during the 40 weeks ended December 5, 2009, as well the absence of the prior year payment of $45.7 million upon our settlement of the Series A warrants. These increases in cash provided by financing activities were partially offset by an increase of $390.8 million in the net principal payments on our revolving lines of credit and increased deferred financing fees of $28.5 million.

We operate under an annual operating plan which is reviewed and approved by our Board of Directors and incorporates the specific operating initiatives we expect to pursue and the anticipated financial results of our Company. We believe that our present cash resources, including additional liquidity provided by the proceeds from the August 2009 preferred stock investment and the Senior Secured Notes Financing, available borrowings from our Credit Agreement and other sources, are sufficient to meet our needs for the next twelve months.

Profitability, cash flow, asset sale proceeds and timing can be impacted by certain external factors such as unfavorable economic conditions, competition, labor relations and fuel and utility costs which could have a significant impact on cash generation. If our profitability and cash flow do not improve in line with our plans or if they do not otherwise provide sufficient resources to operate effectively, we anticipate that we would be able to modify the operating plan, by reducing capital investments and through other contingency actions. However, there is no assurance that we will be successful in generating such resources.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As of December 5, 2009, we had cash and cash equivalents of approximately $281.8 million and working capital of $248.7 million, as compared to cash equivalents of 175.4 million and working capital of $172.0 million as of February 28, 2009. The increase in our working capital was primarily attributable to the following:

- An increase in cash and cash equivalents primarily due to our issuances of Redeemable Preferred Stock and Senior Secured Notes in August 2009, partially offset by repayments of a portion of our variable debt;
- A decline in accrued salaries, wages and benefits, primarily attributable to a reduction in the incentive compensation accrued for our executive and non-executive employees for fiscal 2009, based on our operating results; and
- An increase in inventories primarily due to seasonality.

Partially offset by the following:

- An increase in accounts payable, net of book overdrafts due to an increase in inventories and the timing of payments; and
- A decline in accounts receivable, primarily related to timing.

Redeemable Preferred Stock

On August 4, 2009, we issued 60,000 shares of 8.0% Cumulative Convertible Preferred Stock, Series A-T, without par value, to affiliates of Tengelmann Warenhandelsgesellschaft KG ("Tengelmann") and 115,000 shares of 8.0% Cumulative Convertible Preferred Stock, Series A-Y, without par value, to affiliates of Yucaipa Companies LLC ("Yucaipa"), together referred to as the "Preferred Stock," for approximately $162.2 million, after deducting approximately $12.8 million in closing and issuance costs. Each share of the Preferred Stock has an initial liquidation preference of one thousand dollars, subject to adjustment.

The Great Atlantic & Pacific Tea Company, Inc.
Management's Discussion and Analysis - Continued

The Preferred Stock is convertible into shares of our Company's common stock, par value $1.00 per share (the "Common Stock"), at an initial conversion price of $5.00 per share of Common Stock. The Preferred Stock is convertible upon the one-year anniversary of the issuance of Preferred Stock provided that prior to receiving shareholder approval, the Preferred Stock will not be exercisable into greater than 19.99% of the Common Stock outstanding prior to the issuance of the Preferred Stock. The 57,750 shares that are convertible without shareholder approval are classified as temporary stockholders' equity since the shares are (i) redeemable at the option of the holder and (ii) have conditions for redemption which are not solely within the control of the Company. The shares requiring shareholder approval to become convertible are classified as a "Preferred stock liability".

Our Company is required to redeem all of the outstanding Preferred Stock on August 1, 2016 (the "Maturity Date"), at 100.0% of the liquidation preference, plus all accrued and unpaid dividends. Subject to the repurchase rights of the investors, the Preferred Stock is not redeemable prior to the Maturity Date.

The holders of the Preferred Stock are entitled to an 8.0% dividend, payable quarterly in arrears in cash or in additional shares of Preferred Stock if our Company is not able to pay the dividends fully in cash. If our Company makes a dividend payment in additional shares of Preferred Stock, the Preferred Stock shall be valued at the liquidation preference of the Preferred Stock and the dividend rate will be 8.0% plus 1.5%. During the 12 and 40 weeks ended December 5, 2009, we accrued Preferred Stock dividends of $3.2 million and $4.8 million, respectively, of which $2.1 million and $3.2 million, respectively, has been recorded within "Interest expense" and the remaining $1.1 million and $1.6 million, respectively, has been recorded within "Additional paid-in capital".

Line of Credit
Our Company has a secured line of credit agreement with Blue Ridge Investments, L.L.C, which expires on December 31, 2009. This agreement enables us to borrow funds on a revolving basis of up to $32.7 million, or up to the value of the investment in the Columbia Fund. Each borrowing bears interest at a rate per annum equal to the BBA Libor Daily Floating Rate plus 0.10%. Our weighted-average interest rates on this line of credit were 0.3% and 3.0% during the third quarter of fiscal 2009 and 2008, respectively. At December 5, 2009 and February 28, 2009, we had borrowings outstanding under this line of credit agreement of $1.2 million and $5.0 million, respectively. These loans are collateralized by a first priority perfected security interest in our ownership interest in the Columbia Fund. Refer to Note 4 to our Consolidated Financial Statements - Fair Value Measurements, for further discussion of the Columbia Fund.

Credit Agreement
On July 23, 2009, our Company amended the Amended and Restated Credit Agreement with Banc of America Securities LLC and Bank of America, N.A., as the co-lead arranger, in connection with the private offering of senior secured notes and the sale of preferred stock, which expires in December 2012. The amended agreement increases the applicable margins on credit advances, reduces commitments by $20.0 million, reduces the collateral advance and provides for certain other amendments. Subject to borrowing base requirements, the amended $655.0 million Credit Agreement provides for a five-year term loan of $82.9 million, a five-year term loan of $50.0 million and a five-year revolving credit facility of $522.1 million enabling us to borrow funds and issue letters of credit on a revolving basis. The Credit Agreement also provides for an increase in commitments of up to an additional $100.0 million, subject to agreement of

new and existing lenders. Our obligations under the Credit Agreement are secured by certain assets of our Company, including, but not limited to, inventory, certain accounts receivable, pharmacy scripts, owned

real estate and certain Pathmark leaseholds. The Pathmark leaseholds were removed as eligible collateral throughout fiscal 2009, which resulted in total reduced borrowing availability of approximately $73.0 million as of December 5, 2009. Borrowings under the Credit Agreement bear interest based on LIBOR or Prime interest rate pricing. Subject to certain conditions, we are permitted to pay cumulative cash dividends on common shares, as well as make bond repurchases.

As of December 5, 2009, there were $132.9 million of loans and $203.8 million in letters of credit outstanding under this agreement. As of December 5, 2009, after reducing availability for borrowing base requirements, we had $218.0 million available under the Credit Agreement. In addition, we have invested cash available to reduce borrowings under this Credit Agreement or to use for future operations of $187.2 million as of December 5, 2009.

Based on information available to us, as of our filing date, we have no indication that the financial institutions acting as lenders under our Credit Agreement would be unable to fulfill their commitments.

Related Party Promissory Note

We have a $10 million three-year 6% unsecured promissory note due on August 18, 2011 that was issued to Erivan Karl Haub, who is the father of Christian W. E. Haub, our Executive Chairman and Chief Executive Officer, and is a limited partner of Tengelmann which owns an interest in our Company's stock. The interest is payable in twelve equal quarterly payments of $0.15 million over the term of the note.

Public Debt Obligations

As of December 5, 2009, we had outstanding notes of $588.1 million, which consisted of $12.8 million of 9.125% Senior Notes due December 15, 2011, $153.6 million of 5.125% Convertible Senior Notes due June 15, 2011, $221.7 million of 6.750% Convertible Senior Notes due December 15, 2012 and $200.0 million of 9.375% Notes due August 1, 2039. Interest is payable quarterly on the 9.375% Notes and semi-annually on the 9.125%, 6.750% and 5.125% Notes. The 9.375% Notes are now callable at par ($25 per bond) and the 9.125% Senior Notes are now callable at a premium to par (103.042%). The 9.375% Notes are unsecured obligations and were issued under the terms of our senior debt securities indenture, which contains among other provisions, covenants restricting the incurrence of secured debt. The 9.375% Notes are effectively subordinated to the Credit Agreement and do not contain cross default provisions. Our notes are not guaranteed by any of our subsidiaries.

The 5.125% Convertible Senior Notes are not redeemable at our option at any time. The 6.750% Convertible Senior Notes are redeemable at our option on or after December 15, 2010, at a redemption price of 102.70% and on or after December 15, 2011, at a redemption price of 101.35%. The initial conversion price of the 5.125% Notes is $36.40, representing a 30.0% premium to the offering price of $28.00 and the initial conversion price of the 6.750% Notes is $37.80, representing a 35.0% premium to the offering price of $28.00 at maturity, and at our option, the notes are convertible into shares of our stock, cash, or a combination of stock and cash. Refer to Note 11 to our Consolidated Financial Statements - Indebtedness and Other Financial Liabilities, for additional information relating to these notes.

Senior Secured Notes

On August 4, 2009, we issued $260.0 million of 11.375% senior secured notes due 2015 (the "Notes") at a price equal to 97.385% of their face value. The Notes represent second lien secured obligations, guaranteed by all of our Company's domestic subsidiaries. The Notes bear interest at a fixed rate of 11.375% payable

semi-annually in cash. The proceeds from this offering and our preferred stock offering on August 4, 2009, which is discussed above, were used to repay a portion of our existing variable debt.

The Notes were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States, only to non-U.S. investors pursuant to Regulation S. The Notes have not been registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The Notes contain the usual and customary covenants found in secured notes, including, among other things, restrictions on the incurrence of additional indebtedness, asset sales, liens and restricted payments.

Share Lending Agreements

We have share lending agreements with certain financial institutions, under which we agreed to loan shares of our common stock (subject to certain adjustments set forth in the share lending agreements). Pursuant to these agreements, we loaned 8,134,002 shares of our stock of which 6,300,752 shares were sold to the public on December 18, 2007 in a public offering to facilitate hedging transactions relating to the issuance of our 5.125% and 6.750% Senior Convertible Notes. We did not receive any proceeds from the sale of the borrowed shares. We received a nominal lending fee from the financial institutions pursuant to the share lending agreements. Any shares we loan are considered issued and outstanding. Investors that purchase borrowed shares are entitled to the same voting and dividend rights as any other holders of our common stock; however, the financial institutions do not have rights pursuant to the share lending agreements.

The borrowed shares must be returned to us no later than December 15, 2012 or sooner if certain conditions are met. If an event of default should occur under the share lending agreement and a legal obstacle exists that prevents the borrower from returning the shares, the borrower shall, upon written request of our Company, pay our Company, using available funds, in lieu of the delivery of loaned shares, to settle its obligation.

On September 15, 2008, Lehman and certain of its subsidiaries, including, Lehman Europe filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court and/or commenced equivalent proceedings in jurisdictions outside of the United States (collectively, the "Lehman Bankruptcy"). Lehman Europe is party to a 3,206,058 share lending agreement with our Company. Due to the circumstances of the Lehman Bankruptcy, we have recorded these loaned shares as issued and outstanding effective September 15, 2008, for purposes of computing and reporting our Company's basic and diluted weighted average shares and earnings per share.

On November 23, 2009, Bank of America, N.A., who is a party to our share lending agreement, returned 1,000,000 shares, eliminating our obligation to lend additional shares to them in the future. On January 6, 2010, Bank of America, N.A. returned additional 1,500,000 shares. All of the returned shares were immediately retired, reducing the number of our common shares issued and outstanding. The return of these shares has no impact on the computations of our basic and diluted earnings per share, as the shares underlying the share lending agreement are removed from these computations unless the borrower defaults on returning them. We currently have 5,634,002 of loaned shares outstanding under the share lending agreements.

Other

In the normal course of business, we have assigned to third parties various leases related to former operating stores (the "Assigned Leases") for which we generally remained secondarily liable. As such, if any of the assignees were to become unable to make payments under the Assigned Leases, we could be required to assume the lease obligation. As of December 5, 2009, 187 Assigned Leases remain in place. Assuming that each respective assignee became unable to make payments under an Assigned Lease, an event we believe to be remote, we estimate our maximum potential obligation with respect to the Assigned

Leases to be approximately $586.8 million, which could be partially or totally offset by reassigning or subletting these leases.

Our existing corporate rating with Moody's Investors Service ("Moody's") is B3 with a negative outlook. Our senior unsecured debt is rated Caa1, our senior secured notes are rated B3 and our liquidity rating is SGL-3.

Our corporate credit rating with Standard & Poor's Ratings Group ("S&P") is B- with a stable outlook. Our senior unsecured debt is rated CCC, and our recovery rating is 6, indicating that lenders can expect a negligible (0%-10%) recovery in the event of a payment default. Our senior secured notes are rated B-, with a recovery rating of 4, indicating that lenders can expect an average recovery (30%-50%) in the event of a payment default. Our preferred stock rating is CCC-.

Future rating changes could affect the availability and cost of financing to our Company.

We believe that our present cash resources and the available borrowings from our $655.0 million Amended Credit Agreement and other sources are sufficient to meet our needs for the next twelve months. Based on information available to us, as of our filing date, we have no indication that the financial institutions acting as lenders under our $655.0 million Amended Credit Agreement would be unable to fulfill their commitments. However, given the current economic environment and credit market crisis, there is no assurance that this may not change in the foreseeable future.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of our critical accounting policies may be found in the Management Discussion and Analysis included in our Annual Report on Form 10-K for the year ended February 28, 2009. There have been no significant changes in these policies during the 40 weeks ended December 5, 2009.

We have noted that assumptions of our revenue and cash flow projections for the Price Impact reporting unit have significantly declined resulting in an impairment triggering event that resulted in the impairment of $40.8 million of our long-lived assets and the entire amount of goodwill of $321.8 million allocated to the Price Impact reporting unit. In addition we changed our assumed market royalty rates that could be payable if we did not own our trademarks due to current general economic conditions as well as our near term profitability projections, which combined with the decline in projected revenues and cash flows resulted in impairment of the Pathmark Trademark of $49.9 million during the third quarter.

CAUTIONARY NOTE

This Form 10-Q may contain forward-looking statements about the future performance of our Company, and is based on our assumptions and beliefs in light of information currently available. We assume no obligation to update this information. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements, including, but not limited to: various operating factors and general economic conditions, competitive practices and pricing in

the food industry generally and particularly in our principal geographic markets; our relationships with our employees; the terms of future collective bargaining agreements; the costs and other effects of lawsuits and administrative proceedings; the nature and extent of continued consolidation in the food industry; changes in the capital markets which may affect our cost of capital or the ability to access capital; supply or quality control problems with our vendors; regulatory compliance; and changes in economic conditions, which may affect the buying patterns of our customers. Refer to PART II. ITEM 1A - Risk Factors included in this quarterly report on Form 10-Q.

ITEM 3 - Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

Market risk represents the risk of loss from adverse market changes that may impact our consolidated financial position, results of operations or cash flows. Among other possible market risks, we are exposed to interest rate risk. From time to time, we may enter hedging agreements in order to manage risks incurred in the normal course of business.

Interest Rates

Our exposure to market risk for changes in interest rates relates primarily to our debt obligations. As of December 5, 2009, we do not have cash flow exposure due to rate changes on any of our debt securities with an aggregate book value of $853.6 million, because they are at fixed interest rates ranging from 2.0% to 11.375%. However, we do have cash flow exposure on our committed and uncommitted lines of credit of $134.1 million due to our variable floating rate pricing. Accordingly, during the 12 weeks and 40 weeks ended December 5, 2009, a presumed 1% change in the variable floating rate would have impacted interest expense by $0.3 million and $1.8 million, respectively. A presumed 1% change in the variable floating rate during the 12 and 40 weeks ended November 29, 2008 would have impacted interest expense by $0.8 million and $2.1 million, respectively.

Foreign Exchange Risk

As of December 5, 2009, we did not have exposure to foreign exchange risk as we did not hold any significant assets denominated in foreign currency.

ITEM 4 - Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our Company's management, including our Executive Chairman and Chief Executive Officer and Senior Vice President, Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our Company's management, including our Company's Executive Chairman and Chief Executive Officer along with our Company's Senior Vice President, Chief Financial Officer, of the effectiveness of the design and operation of our Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon the foregoing, our Company's Executive Chairman and Chief Executive Officer along with our Company's Senior Vice President, Chief Financial Officer, concluded that our Company's disclosure controls and procedures were effective as of the period covered by this report.

There have been no changes during our Company's fiscal quarter ended December 5, 2009 in our Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1 - Legal Proceedings

Refer to Note 19 - Commitments and Contingencies - Legal Proceedings in our Notes to Consolidated Financial Statements for a discussion of our legal proceedings.

ITEM 1A - Risk Factors

There have been no material changes from the risk factors described in our Annual Report on Form 10-K for the year ended February 28, 2009, except for the following:

Risks Relating to Our Business

Various operating factors and general economic conditions affecting the food industry may affect our business and may adversely affect our operating results.

The retail food and food distribution industries and the operation of our business, specifically in the New York -- New Jersey and Philadelphia regions, are sensitive to a number of economic conditions and other factors such as:

- food price deflation or inflation,
- softness in local and national economies,
- increases in commodity prices,
- the availability of favorable credit and trade terms,
- changes in business plans, operations, results and prospects,
- potential delays in the development, construction or start-up of planned projects, and
- other economic conditions that may affect consumer buying habits.

Any one or more of these economic conditions can affect our retail sales, the demand for products we distribute to our retail customers, our operating costs and other aspects of our business. Failure to achieve sufficient levels of cash flow at reporting units could result in impairment charges on goodwill and/or long-lived assets.

Changes in the general business and economic conditions in our markets, including the rate of inflation, population growth, the rising prices of oil and gas, the nature and extent of continued consolidation in the food industry and employment and job growth in the markets in which we operate, may affect our ability to hire and train qualified employees to operate our stores. This would negatively affect earnings and sales growth. General economic changes may also affect the shopping habits and buying patterns of our customers, which could affect sales and earnings.

Our ability to achieve our profit goals will be affected by, among other things:

- our success in executing category management and purchasing programs that we have underway, which are designed to improve our gross margins and reduce product costs while making our product selection more attractive to consumers,
- our ability to achieve productivity improvements and reduce shrink in our stores,
- our success in generating efficiencies in our supporting activities, and
- our ability to eliminate or maintain a minimum level of supply and/or quality control problems with our vendors.

We face a high level of competition, including the threat of further consolidation in the food industry, which could adversely affect our sales and future profits.

The retail food business is extremely competitive and is characterized by high inventory turnover and narrow profit margins. The retail food business is subject to competitive practices that may affect:

- the prices at which we are able to sell products at our retail locations,
- sales volume, and
- our ability to attract and retain customers.

In addition, the nature and extent of consolidation in the retail food industry could affect our competitive position in the markets we serve.

Our retail food business and the grocery retailing industry continue to experience aggressive competition from mass merchandisers, warehouse clubs, drug stores, convenience stores, discount merchandisers, dollar stores, restaurants, other retail chains, nontraditional competitors and emerging alternative formats in the markets where we have retail operations. Competition with these outlets is based on price, store location, advertising and promotion, product mix, quality and service. Some of these competitors may have greater financial resources, lower merchandise acquisition costs and lower operating expenses than we do, and we may be unable to compete successfully in the future. A decrease in the rate of inflation in food prices and increasingly competitive markets have made it difficult generally for grocery store operators to achieve comparable store sales gains. Because sales growth has been difficult to attain, our competitors have attempted to maintain market share through increased levels of promotional activities and discount pricing, creating a more difficult environment in which to consistently increase year-over-year sales. Price-based competition has also, from time to time, adversely affected our operating margins. Competitors' greater financial strengths enable them to participate in aggressive pricing strategies such as selling inventory below costs to drive overall increased sales. Our continued success is dependent upon our ability to effectively compete in this industry and to reduce operating expenses, including managing health care and pension costs contained in our collective bargaining agreements. The competitive practices and pricing in the food industry generally and particularly in our principal markets may cause us to reduce our prices in order to gain or maintain our market share of sales, thus reducing margins.

Our in-store pharmacy business is also subject to intense competition. In particular, an adverse trend for drug retailing has been the significant growth in mail-order and internet-based prescription processors, including importation from Canada and other countries. Due to the rapid rise in drug costs experienced in

recent years, mail-order prescription distribution methods are perceived by employers and insurers as being less costly than traditional distribution methods and are being mandated by an increasing number of third party pharmacy benefit managers, many of which also own and manage mail-order distribution operations. As a result, some labor unions and employers are requiring, and others may encourage, that their members or employees obtain medications from mail-order pharmacies which offer drug prescriptions at prices that are lower than we are able to offer. In addition to these forms of mail-order distribution, there has also been increasing competition from a number of internet-based prescription distributors, which specialize in offering certain high demand lifestyle drugs at deeply discounted prices, and importers from Canada and other foreign countries. These alternate distribution channels have acted to restrain the rate of sales growth for traditional chain drug retailers in the last few years. There can be no assurance that our efforts to offset the effects of alternate distribution channels and eligibility changes will be successful.

We are concentrated in the New York -- New Jersey and Philadelphia metropolitan areas and, as a result, our business is significantly influenced by the economic conditions and other characteristics of these areas.

We are vulnerable to economic downturns in the New York -- New Jersey and Philadelphia metropolitan areas, in addition to those that may affect the country as a whole, as well as other factors that may impact that region, such as the regulatory environment, the cost of real estate, insurance, taxes and rent, reliance on the financial industry, increasing unemployment, weather and natural catastrophes, demographics, the availability of labor, and geopolitical factors such as war and terrorism.

We cannot predict economic conditions in this region, and factors such as interest rates, energy costs and unemployment rates may adversely affect our sales which may lead to higher losses, and may also adversely affect our future growth and expansion. Any unforeseen events or circumstances that affect the area could also materially adversely affect our revenues and profitability. Further, since we are concentrated in densely populated metropolitan areas, opportunities for future store expansion may be limited, which may adversely affect our business and results of operations.

We rely on C&S for a substantial amount of our products.

Pursuant to the terms of a long-term supply agreement, which our Company entered into in conjunction with the sale of its distribution business and certain of its assets to C&S, we currently acquire a significant amount of our saleable inventory, including groceries and perishables, from one supplier, C&S. During the twelve months ended February 28, 2009, products supplied from C&S accounted for over 69% of our Company's supermarket inventory purchases. Our agreement with C&S is for a term of ten years, during which we expect to acquire a substantial portion of our saleable inventory from C&S. Although we have not experienced difficulty in the supply of these products to date, supply interruptions by C&S could occur in the future. Any significant interruption in this supply stream, either as a result of disruptions at C&S or if our supply agreement with C&S were terminated for any reason, could have a material adverse effect on our business and results of operations. We are therefore subject to the risks of C&S's business, including potential labor disruptions at C&S facilities, increased regulatory obligations and distribution problems which may affect C&S's ability to obtain products. While we believe that other suppliers could provide similar products on reasonable terms, they are limited in number. In addition, a change in suppliers could cause a delay in distribution and a possible loss of sales, which would affect operating results adversely.

Our renovation and expansion plans may not be successful, and though we plan to convert the remaining conventional stores to one of our other three formats, we may not have the funds to do so.

A key to our business strategy has been, and will continue to be, the renovation and expansion of total selling square footage, including the continued transition of our existing conventional stores into one of our three new formats. We have reduced our planned capital expenditures for fiscal 2009, which relate primarily to opening new supermarkets under the optimal format based on local demographics, opening new liquor stores, and converting certain A&P conventional banner stores to the optimal format based on local demographics. Our capital expenditures could differ from our estimates if development and remodel costs vary from those budgeted, if performance varies significantly from expectations or if we are unsuccessful in acquiring suitable sites for new stores. We expect that cash flows from operations, supplemented by borrowing capacity under our credit facility and the availability of capital lease financing will be sufficient to fund our capital renovation and expansion programs; however, in the event that cash flows from operations decrease we may decide to limit our future capital expenditure program. In addition, the greater financial resources of some of our competitors for acquiring real estate sites could adversely affect our ability to open new stores. The inability to renovate our existing stores, add new stores or increase the selling area of existing stores could adversely affect our business, our results of operations and our ability to compete successfully.

We have certain substantial equity holders that may support strategies that are opposed to your interests or with which you disagree.

Tengelmann, our Company's former majority stockholder, owns beneficially and of record a substantial percentage of our common stock on a fully diluted basis, which further increased upon issuance of convertible preferred stock. As a result of this equity ownership and our stockholder agreement with Tengelmann, Tengelmann has the power to significantly influence the results of stockholder votes and the election of our board of directors, as well as transactions involving a potential change of control of our Company. Tengelmann may support strategies and directions for our Company which are in its best interests but which are opposed to other stakeholders. So long as Tengelmann retains sufficient ownership of our Company's voting power, Tengelmann has rights to board representation, as well as consent rights in connection with certain major Company actions including changes to Company policies and organizational documents, dispositions and financing activity.

Upon completion of the convertible preferred stock issuance, Yucaipa became a significant holder of our common stock on a fully diluted basis. According to the stockholder's agreement with Yucaipa, as long as Yucaipa retains sufficient ownership of our Company's voting power, Yucaipa has rights to board representation, as well as consent rights in connection with certain major Company actions including changes to Company policies and organizational documents, dispositions and financing activity. Yucaipa may support strategies and directions for our Company which are in its best interests but which are opposed to other stakeholders.

We could be affected if consumers lose confidence in the food supply chain or the quality and safety of our products.

We could be adversely affected if consumers lose confidence in the safety and quality of the food supply chain. Adverse publicity about these concerns, whether or not ultimately based on fact, and whether or not involving products sold at our stores, could discourage consumers from buying our products. The real or perceived sale of contaminated food products by us could result in a loss of consumer confidence and product liability claims, which could have a material adverse effect on our sales and operations.

To the extent that we are unable to maintain appropriate sanitation and quality standards in our stores, food safety and quality issues could involve expense and damage to our various brand names. Additionally, concerns about the safety or effectiveness of certain drugs or negative publicity surrounding certain categories of drugs may have a negative impact on our pharmacy sales.

Threats or potential threats to security of food and drug safety may adversely affect our business.

Acts or threats of war or terror or other criminal activity directed at the grocery or drug store industry, the transportation industry, or computer or communications systems, whether or not directly involving our stores, could increase our security costs, adversely affect our operations, or impact general consumer behavior and spending as well as customer orders and our supply chain. Other events that give rise to actual or potential food contamination, drug contamination, or food-borne illnesses could have an adverse effect on our operating results.

Various aspects of our business are subject to federal, state and local laws and regulations. Our compliance with these regulations may require additional expenditures and could adversely affect our ability to conduct our business as planned. Changes in these laws and regulations could increase our compliance costs.

We are subject to federal, state and local laws and regulations relating to zoning, land use, environmental protection, work place safety, public health, community right-to-know, beer and wine sales, pharmaceutical sales and gasoline station operations. A number of states and local jurisdictions regulate the licensing of supermarkets, including beer and wine license grants. In addition, under certain local regulations, we are prohibited from selling beer and wine in certain of our stores. Employers are also subject to laws governing their relationship with employees, including minimum wage requirements, overtime, working conditions, disabled access and work permit requirements. Compliance with these laws could reduce the revenue and profitability of our supermarkets and could otherwise adversely affect our business, financial condition or results of operations. In addition, any changes in these law or regulations could significantly increase our compliance costs and adversely affect our results of operations, financial condition and liquidity.

A number of federal, state and local laws exist that impose burdens or restrictions on owners with respect to access by disabled persons. Our compliance with these laws may result in modifications to our properties, or prevent us from performing certain further renovations.

Our pharmacy business is subject to certain government laws and regulations, including those administered and enforced by Medicare, Medicaid, the Drug Enforcement Administration (DEA), Consumer Product Safety Commission, U.S. Federal Trade Commission and Food and Drug Administration. For example, the conversion of various prescription drugs to over-the-counter medications may reduce our pharmacy sales, and if the rate at which new prescription drugs become available slows or if new prescription drugs that are introduced into the market fail to achieve popularity, our pharmacy sales may be adversely affected. The withdrawal of certain drugs from the market may also adversely affect our pharmacy business. Changes in third party reimbursement levels for prescription drugs, including changes in Medicare Part D or state Medicaid programs, could also reduce our margins and have a material adverse effect on our business. In order to dispense controlled substances, we are required to register our pharmacies with the DEA and to comply with security, recordkeeping, inventory control and labeling standards.

In addition, our pharmacy business is subject to local regulations in the states where our pharmacies are located, applicable Medicare and Medicaid regulations and state and federal prohibitions against certain payments intended to induce referrals of patients or other health care business. Failure to properly adhere to these and other applicable regulations could result in the imposition of civil, administrative and criminal penalties including suspension of payments from government programs; loss of required government

certifications; loss of authorizations to participate in, or exclusion from, government reimbursement programs such as Medicare and Medicaid; loss of licenses; significant fines or monetary penalties for anti-kickback law violations, submission of false claims or other failures to meet reimbursement program requirements and could adversely affect the continued operation of our business. Our pharmacy business is also subject to the Health Insurance Portability and Accountability Act, including its obligations to protect the confidentiality of certain patient information and other obligations. Failure to properly adhere to these requirements could result in the imposition of civil as well as criminal penalties.

Certain risks are inherent in providing pharmacy services, and our insurance may not be adequate to cover any claims against us.

Pharmacies are exposed to risks inherent in the packaging and distribution of pharmaceuticals and other healthcare products, such as risks of liability for products which cause harm to consumers. Although we maintain professional liability insurance and errors and omissions liability insurance, we cannot assure you that the coverage limits under our insurance programs will be adequate to protect us against future claims, or that we will be able to maintain this insurance on acceptable terms in the future. Our results of operations, financial condition or cash flows may be adversely affected if in the future our insurance coverage proves to be inadequate or unavailable, or there is an increase in liability for which we self-insure, or we suffer harm to our reputation as a result of an error or omission.

We are affected by increasing labor, benefit and other operating costs and a competitive labor market and are subject to the risk of unionized labor disruptions.

The majority of our operating costs are attributed to labor costs and, therefore, our financial performance is greatly influenced by increasing wage and benefit costs, including pension and health care costs, a competitive labor market and the risk of labor disruption of our highly unionized workforce.

We have approximately 46,200 employees, of which approximately 69% are employed on a part-time basis. Over the last few years, increased benefit costs have caused our Company's labor costs to increase. We cannot assure you that our labor costs will not continue to increase, or that such increases can be recovered through increased prices charged to customers. Any significant failure to attract and retain qualified employees, to control our labor costs or to recover any increased labor costs through increased prices charged to customers could have a material adverse effect on our results of operations.

As of February 28, 2009, approximately 92% of our employees were represented by unions and covered by collective bargaining or similar agreements that are subject to periodic renegotiations. Although we believe that we will successfully negotiate new collective bargaining agreements when our agreements expire, these negotiations may not prove successful, may result in a significant increase in the cost of labor or may result in the disruption of our operations.

We are currently negotiating or will negotiate three labor agreements covering approximately 1,200 employees in fiscal 2009. In each of these negotiations, rising health care and pension costs will be important issues, as will the nature and structure of work rules. The actual terms of the renegotiated collective bargaining agreements and/or a prolonged work stoppage affecting a substantial number of stores could have a material adverse effect on our results. We cannot assure you that our labor negotiations will conclude successfully or that any work stoppage or labor disturbances will not occur. We expect that we will incur additional costs and face increased competition for customers during any work stoppages or labor disturbances, which would adversely affect operating results.

63

We participate in various multi-employer pension plans for substantially all employees represented by unions.

We will be required to make contributions to these multi-employer pension plans in amounts established under collective bargaining agreements. Pension expenses for these plans, which are recognized as contributions, are currently funded. Benefits generally are based on a fixed amount for each year of service. We contributed $48.2 million, $34.4 million and $32.1 million to multi-employer pension plans in fiscal 2008, fiscal 2007 and fiscal 2006, respectively. We could, under certain circumstances, be liable for unfunded vested benefits or other expenses of jointly administered union/management plans, which benefits could be significant and material for us. To date, we have not established any liabilities for future withdrawals because such withdrawals from these plans are not probable and the amount cannot be estimated. As a result, we expect that contributions to these plans may increase. Additionally, the benefit levels and related items will be issues in the negotiation of our collective bargaining agreements. Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur withdrawal liability to the plan, which represents the portion of the plan's underfunding that is allocable to the withdrawing employer under complex actuarial and allocation rules. The amount of any increase or decrease in our required contributions to these multi-employer pension plans will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plans affecting the costs of future service benefits, government regulations and the actual return on assets held in the plans, among other factors.

The loss of key personnel could negatively affect our business.

We are dependent upon a number of key personnel and members of management. If we were to lose the services of a significant number of key personnel or management within a short period of time, this could have a material adverse effect on our operations. We do not maintain key person insurance on any personnel or management. Our continued success is also dependent upon our ability to attract and retain qualified personnel to meet our future growth needs. We face intense competition for qualified personnel, many of whom are subject to offers from competing employers. We may not be able to attract and retain necessary team members to operate our business.

With approval of our lenders, we may make acquisitions and consequently face integration, management diversion and other risks.

We may pursue acquisitions in the future. Any future acquisitions could be of significant size and may involve either domestic or international parties. To acquire and integrate a separate organization would divert management attention from other business activities. This diversion, together with the difficulties we may encounter in integrating an acquired business, could have a material adverse effect on our business, financial conditions or results of operations.

Moreover, we may not realize any of the anticipated benefits of an acquisition and integration costs may exceed anticipated amounts. In connection with future acquisitions, we may also assume the liabilities of the businesses we acquire. These liabilities could materially and adversely affect our business and financial condition.

Our substantial indebtedness could impair our financial condition and our ability to fulfill our debt obligations, including our obligations under the notes.

We have substantial indebtedness. Our indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the notes and our other indebtedness, which could in turn result in an event of default on the notes or such other indebtedness,

- require us to dedicate a substantial portion of our cash flow from operations to debt service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes,

- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes,

- diminish our ability to withstand a downturn in our business, the industry in which we operate or the economy generally,

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, and

- place us at a competitive disadvantage compared to certain competitors that have proportionately less debt.

If we are unable to meet our debt service obligations, we could be forced to restructure or refinance our indebtedness, seek additional equity capital or sell assets. We may be unable to obtain financing or sell assets on satisfactory terms, or at all.

In addition, at December 5, 2009, we had $134.1 million of variable rate debt. If market interest rates increase, such variable-rate debt will have higher debt service requirements, which could adversely affect our cash flow. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk.

ITEM 2 -- Unregistered Sales of Equity Securities and Use of Proceeds

None

ITEM 3 -- Defaults Upon Senior Securities

None

ITEM 4 -- Submission of Matters to a Vote of Security Holders

None

ITEM 5 -- Other Information

None

ITEM 6 - Exhibits

(a) Exhibits required by Item 601 of Regulation S-K

EXHIBIT NO.	DESCRIPTION
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*	Filed with this 10-Q

The Great Atlantic & Pacific Tea Company, Inc.

SIGNATURES

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

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

Date: January 12, 2010 By: /s/ Melissa E. Sungela

Melissa E. Sungela, Vice President,
Corporate Controller
(Chief Accounting Officer and Duly Authorized Officer)