GREAT ATLANTIC & PACIFIC TEA CO INC
Form 10-Q
October 28, 2011

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 September 10, 2011

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 its 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)

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

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

Title of each class	Name of each exchange on which registered
Common Stock - $1 par value	OTC Markets, Inc.
9.375% Notes, due August 1, 2039	OTC Markets, Inc.

Securities registered pursuant to Section 12 (g) of the Act: None

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 (§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 [x] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ________ Accelerated filer –– ________ Non-accelerated filer x ––––––––
Smaller reporting company__________

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

The number of shares of common stock outstanding as of the close of business on October 21, 2011 was 53,852,470.

PART I – FINANCIAL INFORMATION
ITEM 1 – Financial Statements

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

	12 Weeks Ended		28 Weeks Ended	
	Sept. 10, 2011	Sept. 11, 2010	Sept. 10, 2011	Sept. 11, 2010
Sales	$ 1,638,694	$ 1,918,279	$ 3,869,340	$ 4,483,209
Cost of merchandise sold	(1,183,264)	(1,354,931)	(2,790,591)	(3,155,193)
Gross margin	455,430	563,348	1,078,749	1,328,016
Store operating, general and administrative expense	(506,902)	(631,224)	(1,295,629)	(1,452,240)
Goodwill, trademark and long-lived asset impairment	(24,124)	(30,250)	(79,542)	(35,648)
Loss from continuing operations before nonoperating income, interest expense, net and reorganization items, net	(75,596)	(98,126)	(296,422)	(159,872)
Nonoperating income	8	2,177	91	10,454
Interest expense, net	(37,829)	(46,126)	(86,283)	(107,268)
Reorganization items, net	17,148	-	95,026	-
Loss from continuing operations before income taxes	(96,269)	(142,075)	(287,588)	(256,686)
(Provision for) benefit from income taxes	(1,562)	(105)	13,088	(245)
Loss from continuing operations	(97,831)	(142,180)	(274,500)	(256,931)
Discontinued operations:				
Loss from operations of discontinued businesses, net of income tax benefit of $1,464 and $2,606 for the 12 and 28 weeks ended September 10, 2011, respectively, and $0 for the 12 and 28 weeks ended September 11, 2010, respectively	(2,022)	(10,853)	(1,225)	(17,968)
Gain on disposal of discontinued operations, net of income tax provision of $0 for the 12 and 28 weeks ended September 10, 2011 and September 11, 2010, respectively	-	-	-	79
Reorganization items, net of income tax provision of $7 and $14,368 for the 12 and 28 weeks ended September 10, 2011, respectively, and $0 for the 12 weeks and 28 weeks ended September 11, 2010, respectively	8	-	19,841	-
(Loss) income from discontinued operations	(2,014)	(10,853)	18,616	(17,889)
Net loss	$ (99,845)	$ (153,033)	$ (255,884)	$ (274,820)
Net (loss) income per share – basic:				
Continuing operations	$ (1.84)	$ (2.72)	$ (5.15)	$ (4.98)
Discontinued operations	(0.04)	(0.21)	0.35	(0.33)
Net loss per share – basic	$ (1.88)	$ (2.93)	$ (4.80)	$ (5.31)

Net (loss) income per share – diluted:				
Continuing operations	$ (1.84)	$ (2.75)	$ (5.15)	$ (14.64)
Discontinued operations	(0.04)	(0.19)	0.35	(0.94)
Net loss per share – diluted	$ (1.88)	$ (2.94)	$ (4.80)	$ (15.58)
Weighted average common shares outstanding:				
Basic	53,852,470	53,778,502	53,852,470	53,618,284
Diluted	53,852,470	56,970,721	53,852,470	18,949,997

See Notes to Consolidated Financial Statements.

The Great Atlantic & Pacific Tea Company, Inc.
(Debtors-in-Possession)
Consolidated Statements of Stockholders' Deficit and Comprehensive Loss
(Dollars in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
28 Weeks Ended September 10, 2011	Shares	Amount	Capital	Loss	Deficit	Deficit
Balance at 2/26/2011, as previously reported	53,852,470	$53,852	$511,157	$ (75,309)	$ (1,630,664)	$ (1,140,964)
Retrospective change in accounting						
principle for inventory valuation	-	-	-	-	11,329	11,329
Balance at 2/26/2011, as adjusted	53,852,470	53,852	511,157	(75,309)	(1,619,335)	(1,129,635)
Net loss	-	-	-	-	(255,884)	(255,884)
Beneficial conversion feature accretion						
on preferred stock	-	-	(2,591)	-	-	(2,591)
Preferred stock financing fees amortization	-	-	(936)	-	-	(936)
Other share based awards	-	-	1,991	-	-	1,991
Other comprehensive loss	-	-	-	(875)	-	(875)
Balance at 09/10/2011	53,852,470	$53,852	$509,621	$ (76,184)	$ (1,875,219)	$ (1,387,930)
28 Weeks Ended September 11, 2010						
Balance at 2/27/2010, as previously reported	55,868,129	$55,868	$526,421	$ (79,403)	$ (1,032,089)	$ (529,203)
Retrospective change in accounting						
principle for inventory valuation	-	-	-	-	9,285	9,285
Balance at 2/27/2010, as adjusted	55,868,129	55,868	526,421	(79,403)	(1,022,804)	(519,918)
Net loss	-	-	-	-	(274,820)	(274,820)
Beneficial conversion feature accretion						
on preferred stock	-	-	(2,591)	-	-	(2,591)
Dividends on preferred stock	-	-	(7,400)	-	-	(7,400)
Preferred stock financing fees amortization	-	-	(936)	-	-	(936)
Stock options exercised	4,834	5	23	-	-	28
Other share based awards	407,451	407	(581)	-	-	(174)
	-	-	-	380	-	380

Other comprehensive income						
Balance at 09/11/2010	56,280,414	$56,280	$514,936	$ (79,023)	$ (1,297,624)	$ (805,431)

Comprehensive Loss	12 Weeks Ended		28 Weeks Ended	
	Sept. 10, 2011	Sept. 11, 2010	Sept. 10, 2011	Sept. 11, 2010
Net loss	$(99,845)	$(153,033)	$(255,844)	$(274,820)
Pension and other postretirement benefits, net of tax of $0 and $1,719 for the 12 and 28 weeks ended September 10, 2011, respectively, and $0 for the 12 and 28 weeks ended September 11, 2010, respectively	361	128	(875)	380
Other comprehensive income (loss), net of tax	361	128	(875)	380
Total comprehensive loss	$(99,484)	$(152,905)	$(256,759)	$(274,440)

See Notes to Consolidated Financial Statements.

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

ASSETS	Sept. 10, 2011	February 26, 2011
Current assets:		
Cash and cash equivalents	$ 301,569	$ 352,607
Restricted cash	4,180	1,731
Accounts receivable, net of allowance for doubtful accounts of $5,371 and $5,554 at September 10, 2011 and February 26, 2011, respectively	167,241	209,966
Inventories, net	398,586	452,289
Prepaid expenses and other current assets	42,989	36,329
Total current assets	914,565	1,052,922
Non-current assets:		
Property:		
Property owned, net	982,994	1,163,853
Property under capital leases, net	57,470	63,346
Property, net	1,040,464	1,227,199
Goodwill	110,412	110,412
Intangible assets, net	118,513	124,288
Other assets	156,351	141,357
Total assets	$ 2,340,305	$ 2,656,178
LIABILITIES AND STOCKHOLDERS’ DEFICIT		
Current liabilities:		
Current portion of long-term debt	$ 350,000	$ -
Current portion of obligations under capital leases	4,031	-
Current portion of real estate liabilities	607	-
Accounts payable	152,893	119,245
Book overdrafts	16,841	23,722
Accrued salaries, wages and benefits	99,570	109,428
Accrued taxes	35,896	26,175
Other accruals	79,753	65,048
Total current liabilities	739,591	343,618
Non-current liabilities:		
Long-term debt	-	350,000
Long-term obligations under capital leases	47,288	-
Long-term real estate liabilities	184,837	-
Deferred real estate income	16,758	-
Other non-current liabilities	123,557	74,162
Total liabilities not subject to compromise	1,112,031	767,780
Liabilities subject to compromise	2,469,399	2,874,734
Total liabilities	3,581,430	3,642,514
Series A redeemable preferred stock – no par value, $1,000 redemption value; authorized – 700,000		
	146,805	143,299

shares; issued - 179,020 shares at September 10, 2011 and February 26, 2011, respectively		
Commitments and contingencies (Refer to Note 20)		
Stockholders' deficit:		
Common stock – $1 par value; authorized – 260,000,000 shares; issued and outstanding – 53,852,470 shares at September 10, 2011 and February 26, 2011, respectively	53,852	53,852
Additional paid-in capital	509,621	511,157
Accumulated other comprehensive loss	(76,184)	(75,309)
Accumulated deficit	(1,875,219)	(1,619,335)
Total stockholders' deficit	(1,387,930)	(1,129,635)
Total liabilities and stockholders' deficit	$ 2,340,305	$ 2,656,178

See Notes to Consolidated Financial Statements.

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

	28 Weeks Ended	
	Sept. 10, 2011	Sept. 11, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (255,884)	$ (274,820)
Adjustments to reconcile net loss to net cash used in operating activities (see next page)	151,393	195,938
Other changes in assets and liabilities:		
Decrease in receivables	54,646	17,534
Decrease (increase) in inventories	37,590	(7,209)
Increase in prepaid expenses and other current assets	(11,960)	(7,560)
Increase in other assets	(14,549)	(2,799)
(Decrease) increase in accounts payable	(9,662)	13,319
(Decrease) increase in accrued salaries, wages and benefits, and taxes	(2,238)	2,308
Increase in other accruals	80,169	5,917
Decrease in other non-current liabilities	(74,003)	(36,952)
Other operating activities, net	129	(99)
Payments for reorganization items	(23,984)	-
Net cash used in operating activities	(68,353)	(94,423)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property	(17,282)	(43,447)
Proceeds from disposal of property	8,789	8,739
Proceeds from flood insurance	-	4,910
Proceeds from sale of assets held for sale	38,302	-
(Increase) decrease in restricted cash	(2,449)	302
Proceeds from sale of pharmacy assets	4,785	-
Net cash provided by (used in) investing activities	32,145	(29,496)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	800
Principal payments on long-term debt	(99)	(134)
Proceeds under revolving lines of credit	-	201,600
Principal payments on revolving lines of credit	-	(200,700)
Principal payments on long-term real estate liabilities	(616)	(631)
Principal payments on capital leases	(5,610)	(6,317)
Decrease in book overdrafts	(6,881)	(21,804)
Payments of financing fees for debtor-in-possession financing	(1,624)	-
Deferred financing fees	-	(6)
Dividends paid on preferred stock	-	(7,000)
Proceeds from exercises of stock options	-	28
Net cash used in financing activities	(14,830)	(34,164)
Net decrease in cash and cash equivalents	(51,038)	(158,083)
Cash and cash equivalents at beginning of year	352,607	252,426

Cash and cash equivalents at end of period	$ 301,569	$ 94,343

See Notes to Consolidated Financial Statements.

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

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

	28 Weeks Ended	
	Sept. 10, 2011	Sept. 11, 2010
Depreciation and amortization	$ 101,588	$ 121,897
Goodwill, trademark and long-lived asset impairment	79,542	35,648
Impairment of long-lived assets in the normal course of business	1,465	1,144
Self-insurance reserve	3,127	21,661
Nonoperating income	(91)	(10,454)
Non-cash interest expense	10,104	23,258
Stock compensation expense (income)	1,509	(101)
Pension withdrawal costs	13,923	-
Employee benefit related costs	2,111	6,713
Asset disposition initiatives relating to discontinued operations	-	4
Non-cash occupancy charges for locations closed in the normal course of business	1,580	466
Adjustment to occupancy reserves	92,773	-
Losses relating to Hurricane Irene	1,000	-
Gain on disposal of owned property and write-down of property, net	(499)	(1,807)
Gain on disposal of discontinued operations	-	(79)
Gain on sale of pharmacy assets	(4,785)	-
Gain on sale of assets held for sale	(29,120)	-
Amortization of deferred real estate income	(1,777)	(2,412)
C&S contract effect	9,184	-
Provision for deferred income taxes	(1,719)	-
Reorganization items, net relating to continuing operations	(95,026)	-
Reorganization items, net relating to discontinued operations	(34,209)	-
Financing fees	713	-
Total adjustments to net loss	$ 151,393	$ 195,938

See Notes to Consolidated Financial Statements.

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

1. Basis of Presentation

The accompanying Consolidated Statements of Operations, Consolidated Statements of Stockholders' Deficit and Comprehensive Loss, and Consolidated Statements of Cash Flows for the 12 and 28 weeks ended September 10, 2011 and September 11, 2010, and the Consolidated Balance Sheets at September 10, 2011 and February 26, 2011 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 2010 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.

Bankruptcy Filing

On December 12, 2010, our Company and all of our U.S. subsidiaries (the "Debtors") filed voluntary petitions for relief (the "Bankruptcy Filing") under chapter 11 of title 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York in White Plains (the "Bankruptcy Court"), which are being jointly administered under case number 10-24549. Management's decision to initiate the Bankruptcy Filing was in response to, among other things, our Company's deteriorating liquidity and management's conclusion that the challenges of successfully implementing additional financing initiatives and of obtaining necessary cost concessions from our Company's business and labor partners, was negatively impacting our Company's ability to implement our previously announced turnaround strategy. Our Company's non-U.S. subsidiaries, which are immaterial on a consolidated basis and have no retail operations, were not part of the Bankruptcy Filing.

We are currently operating as debtors-in-possession pursuant to the Bankruptcy Filing and continuation of our Company as a going-concern is contingent upon, among other things, the Debtors' ability (i) to comply with the terms and conditions of the DIP Credit Agreement described in Note 9 – Indebtedness and Other Financial Liabilities; (ii) to develop a plan of reorganization and obtain confirmation of that plan under the Bankruptcy Code; (iii) to reduce debt and other liabilities through the bankruptcy process; (iv) to return to profitability, including by securing necessary near-term cost concessions from our business and labor partners; (v) to generate sufficient cash flow from operations; and (vi) to obtain financing sources to meet our future obligations. The uncertainty regarding these matters raises substantial doubt about our ability to continue as a going concern.

Our Company was required to apply the FASB's provisions of Reorganizations effective on December 12, 2010, which is applicable to companies in chapter 11, which generally does not change the manner in which financial statements are prepared. However, it does require that the financial statements for periods subsequent to the filing of the Bankruptcy Filing petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business must be reported separately as reorganization items in the Consolidated Statements of Operations beginning in the year ended February 26, 2011. The balance sheet must distinguish pre-Bankruptcy Filing liabilities subject to compromise from both those pre-Bankruptcy Filing liabilities that are not subject to compromise and from post-Bankruptcy Filing liabilities. As discussed in Note 9 - Indebtedness and Other Financial Liabilities, currently the Senior Secured Notes totaling $260.0 million have priority over the unsecured creditors of our Company. Based upon the uncertainty surrounding the ultimate treatment of the Notes in our reorganization plan, including the potential that these Notes may be impaired, these Notes are classified as "Liabilities subject to compromise" in our Consolidated Balance Sheets. Our Company continues to evaluate creditors' claims for other claims that may also have priority over unsecured creditors. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be approved by the Bankruptcy Court, even if they may be settled for lesser amounts as a result of the plan of reorganization. In addition, cash used in reorganization items must be disclosed separately in our Consolidated Statements of Cash Flows.

Supply Agreement

On June 2, 2011, our Company entered into a definitive supply agreement with C&S Wholesale Grocers, Inc. ("C&S") effective May 29, 2011, whereby C&S will provide warehousing, transportation, procurement, purchasing and ancillary services (the "Services") in support of a substantial portion of our Company's supply chain. This agreement replaced the warehousing, logistics, procurement and purchasing agreement under which the parties had been operating since 2008.

The term of the agreement is through the effective date of our Company's plan of reorganization in its Bankruptcy Filing but may be extended by either party for a term concurrent with a fixed volume commitment based upon wholesale purchases of merchandise resulting in a term of approximately seven years. The cost structure of the agreement is a combination of a fixed cost and variable upcharge pricing model. The charges are subject to adjustment due to volume change or other material changes to the operating assumptions of the agreement.

Our Company expects it will realize a run-rate of more than $50 million in annual savings commencing with our Company's emergence from the Bankruptcy Filing pursuant to a plan of reorganization. The agreement provides our Company with important service enhancements, including detailed service specifications and key performance measures. The agreement also permits our Company to maintain product standards and specifications for all merchandise purchased for resale in our Company's stores.

Assumed Leases

During the 12 weeks ended September 10, 2011, our Company assumed 330 real estate leases, including leases for shopping center tenants as well as leases for subleased locations. In connection with the assumption of the leases, the related liability balances previously classified as "Liabilities subject to compromise" were reclassified to the respective balance sheet captions in our Consolidated Balance Sheets. In addition, all undisputed cure amounts related to these leases in the amount of $6.8 million have been paid to the landlords.

Significant Accounting Policies

A summary of our significant accounting policies may be found in our Annual Report on Form 10-K for the year ended February 26, 2011. Except for as described below, there have been no changes in these policies during the 28 weeks ended September 10, 2011.

Change in Accounting Policy

Effective June 19, 2011, our Company changed its method of valuing inventories held at our Pathmark stores from the last-in first-out ("LIFO") method to the first-in first-out ("FIFO") method. As previously noted, our Company entered into a definitive supply agreement with C&S effective May 29, 2011 to provide Services in support of a substantial portion of our Company's supply chain. As a result of the agreement with C&S, our Company began transitioning our inventory to different warehouses such that, beginning in our second fiscal quarter, the Pathmark inventory is no longer separately segregated and managed. Our Company believes that the FIFO method of inventory valuation is preferable under GAAP and improves financial reporting because it conforms all of our Company's inventories to a consistent inventory method and the use of FIFO better aligns costing with our Company's forecasting and procurement decisions. As described in the accounting guidance for accounting changes and error corrections, the comparative Consolidated Financial Statements of prior periods presented have been adjusted to apply the new accounting method retrospectively.

The following line items within the Consolidated Statements of Operations were affected by the change in accounting policy (in thousands, except for per share data):

	For the 12 Weeks Ended September 10, 2011			For the 12 Weeks Ended September 11, 2010		
	As Computed under LIFO	As Reported under FIFO	Change: (Decrease) / Increase	As Originally Reported	As Adjusted	Change: (Decrease) / Increase
Cost of merchandise sold	$ (1,184,105)	$ (1,183,264)	$ (841)	$ (1,355,572)	$ (1,354,931)	$ (641)
Gross margin	454,589	455,430	841	562,707	563,348	641
Loss from continuing operations before provision for income taxes	(97,110)	(96,269)	841	(142,716)	(142,075)	641
Provision for income taxes	(1,562)	(1,562)	-	(105)	(105)	-
Loss from continuing operations	(98,672)	(97,831)	841	(142,821)	(142,180)	641
Loss from discontinued operations	(2,014)	(2,014)	-	(10,853)	(10,853)	-
Net loss	(100,686)	(99,845)	841	(153,674)	(153,033)	641
Net (loss) income per share – basic:						
Continuing operations	$ (1.85)	$ (1.84)	$ 0.01	$ (2.73)	$ (2.72)	$ 0.01
Discontinued operations	(0.04)	(0.04)	-	(0.21)	(0.21)	-
Net loss per share - basic	$ (1.89)	$ (1.88)	$ 0.01	$ (2.94)	$ (2.93)	$ 0.01
Net (loss) income per share – diluted:						
Continuing operations	$ (1.85)	$ (1.84)	$ 0.01	$ (2.76)	$ (2.75)	$ 0.01
Discontinued operations	(0.04)	(0.04)	-	(0.19)	(0.19)	-
Net loss per share - diluted	$ (1.89)	$ (1.88)	$ 0.01	$ (2.95)	$ (2.94)	$ 0.01

	For the 28 Weeks Ended September 10, 2011			For the 28 Weeks Ended September 11, 2010		
	As Computed under LIFO	As Reported under FIFO	Change: (Decrease) / Increase	As Originally Reported	As Adjusted	Change: (Decrease) / Increase
Cost of merchandise sold	$ (2,792,554)	$ (2,790,591)	$ (1,963)	$ (3,156,690)	$ (3,155,193)	$ (1,497)
Gross margin	1,076,786	1,078,749	1,963	1,326,519	1,328,016	1,497
Loss from continuing operations before benefit from (provision for) income taxes	(289,551)	(287,588)	1,963	(258,183)	(256,686)	1,497
	13,088	13,088	-	(245)	(245)	-

Benefit from (provision for) income taxes												
Loss from continuing operations		(276,463)		(274,500)		1,963		(258,428)		(256,931)		1,497
Income (loss) from discontinued operations		18,616		18,616		-		(17,889)		(17,889)		-
Net loss		(257,847)		(255,884)		1,963		(276,317)		(274,820)		1,497
Net (loss) income per share – basic:												
Continuing operations	$	(5.18)	$	(5.15)	$	0.03	$	(5.01)	$	(4.98)	$	0.03
Discontinued operations		0.35		0.35		-		(0.33)		(0.33)		-
Net loss per share - basic	$	(4.83)	$	(4.80)	$	0.03	$	(5.34)	$	(5.31)	$	0.03
Net (loss) income per share – diluted:												
Continuing operations	$	(5.18)	$	(5.15)	$	0.03	$	(14.72)	$	(14.64)	$	0.08
Discontinued operations		0.35		0.35		-		(0.94)		(0.94)		-
Net loss per share - diluted	$	(4.83)	$	(4.80)	$	0.03	$	(15.66)	$	(15.58)	$	0.08

The following line items within the Consolidated Balance Sheets were affected by the change in accounting policy (in thousands):

	As of September 10, 2011		
	As Computed under LIFO	As Reported under FIFO	Change
Inventories, net	$ 385,294	$ 398,586	$ 13,292
Accumulated deficit	(1,888,511)	(1,875,219)	13,292

	As of February 26, 2011		
	As Originally Reported	As Adjusted	Change
Inventories, net	$ 440,960	$ 452,289	$ 11,329
Accumulated deficit	(1,630,664)	(1,619,335)	11,329

There was no impact on net cash provided by operating activities as a result of this change in accounting policy.

2. Recently Issued Accounting Pronouncements

Comprehensive Income. In June 2011, the FASB issued updated guidance on the presentation of comprehensive income, eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. All changes in our Company's stockholders' deficit will be presented in either a single continuous statement of comprehensive loss or in two separate but consecutive statements. The updated guidance is to be applied retrospectively and is effective for public entities for fiscal years, and interim periods within those years, ending after December 15, 2011 with early adoption permitted. The impact of this update is expected to be immaterial.

Intangibles — Goodwill and Other. In September 2011, the FASB issued updated guidance allowing the use of a qualitative approach to test goodwill for impairment. The updated guidance would permit our Company to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of one of our reporting units is less than its carrying value. If we conclude that this is the case, it is then necessary for us to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The updated guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We are currently evaluating the impact of our pending adoption of this update.

Multi-employer Pension Plan. In September 2011, the FASB issued updated guidance to require employers who participate in multi-employer pension plans to provide additional quantitative and qualitative disclosures. Such disclosures include, but are not limited to, the significant plans in which the employer participates within, the level of participation and financial health within such plans and the nature of the employer commitments to such plans. The updated guidance for public entities is effective for annual periods for fiscal years ending after December 15, 2011. The adoption of this guidance is expected to impact related disclosures to our Consolidated Financial Statements only.

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 impairment assessment of goodwill and indefinite lived intangible assets was completed in the fourth quarter of fiscal 2010 for all of our reporting units in our reportable segments. This assessment concluded that there was no impairment.

Goodwill

As part of our consideration of whether goodwill is recoverable, we have noted a decline in revenues and cash flows during the first half of fiscal 2011 from the projections used in the fourth quarter fiscal 2010 to evaluate the goodwill for the Waldbaum’s reporting units. We determined we do not have a triggering event, as we continue to anticipate that expected savings from the recently negotiated C&S supply agreement and from the ongoing labor negotiations will improve future cash flows at the Waldbaum's reporting units to a level that will exceed the related carrying value of the assets. However, the most recent decline in cash flows does indicate that the estimated fair value of this reporting unit may not exceed the carrying value of the assets by as much as previously anticipated during our fourth quarter of fiscal 2010. It should be noted that the expected savings from the ongoing labor negotiations are not assured and if such savings are not realized, then the cash flow projections of this reporting unit would be lowered to such a level that it is likely the goodwill at this reporting unit would be impaired.

The carrying amount of our goodwill was $110.4 million at September 10, 2011 and February 26, 2011, respectively. Our goodwill allocation by segment at September 10, 2011 and February 26, 2011 was as follows (in thousands):

	Fresh	Gourmet	Other	Total
Goodwill	$ 116,032	$ 12,110	$ 5,974	$ 134,116
Accumulated impairment losses	(23,704)	-	-	(23,704)
Goodwill at February 26, 2011	$ 92,328	$ 12,110	$ 5,974	$ 110,412
Goodwill	$ 116,032	$ 12,110	$ 5,974	$ 134,116
Accumulated impairment losses	(23,704)	-	-	(23,704)

Goodwill at September 10, 2011	$	92,328	$	12,110	$	5,974	$	110,412

Intangible Assets, net

As part of our consideration of whether the definite lived intangible assets are recoverable, we have noted a decline in revenues and cash flows during the first half of fiscal 2011 from the projections used in the fourth quarter fiscal 2010 to evaluate the definite lived intangible assets for the Pathmark reporting unit. We determined we do not have a triggering event, as we continue to anticipate that expected savings from the recently negotiated C&S supply agreement and from the ongoing labor negotiations will improve future cash flows at the Pathmark reporting unit to a level that will exceed the related carrying value of the assets. However, the most recent decline in cash flows does indicate that the estimated fair value of this reporting unit may not exceed the carrying value of the assets by as much as previously anticipated during our fourth quarter of fiscal 2010. It should be noted that the expected savings from the ongoing labor negotiations are not assured and if such savings are not realized, then the cash flow projections of this reporting unit would be lowered to such a level that it is likely the definite lived intangible assets at this reporting unit would be impaired.

As part of our consideration of whether the indefinite lived intangible assets are recoverable, we have noted a decline in revenues and cash flows during the first half of fiscal 2011 from the projections used in the fourth quarter fiscal 2010 to evaluate the indefinite lived intangible assets for the Pathmark reporting unit. We determined we do not have a triggering event. Further, any changes in sensitivity to changes in revenues or market royalty rates have not been significant.

Intangible assets acquired as part of our acquisition of Pathmark in December 2007 consisted of the following (in thousands):

	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization at Sept. 10, 2011	Accumulated Amortization at Feb. 26, 2011
Loyalty card customer relationships	5	$ 19,200	$ 14,088	$ 11,815
In-store advertiser relationships	20	14,720	2,774	2,378
Pharmacy payor relationships	13	75,000	21,745	18,639
Pathmark trademark	Indefinite	48,200	-	-
Total		$ 157,120	$ 38,607	$ 32,832

Amortization expense relating to our intangible assets for the 12 weeks ended September 10, 2011 and September 11, 2010 was $2.5 million during each period. Amortization expense relating to our intangible assets for the 28 weeks ended September 10, 2011 and September 11, 2010 was $5.8 million during each period.

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

2011	$4,950
2012	9,670
2013	6,505
2014	6,505
2015	6,505
Thereafter	36,178

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.

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. In addition, our investments in money market funds, which are considered cash equivalents, are classified as Level 2, as they are valued based on their reported Net Asset Value (NAV).

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.

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 September 10, 2011 and February 26, 2011 (in thousands):

	Fair Value Measurements at September 10, 2011 Using		
	Quoted Prices in	Significant Other	Significant
Total Carrying Value at	Active Markets	Observable Inputs	Unobservable Inputs