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GREAT ATLANTIC & PACIFIC TEA CO INC  
Form 10-K  
May 09, 2006

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

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED FEBRUARY 25, 2006

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 w  
-----

Common Stock - \$1 par value  
7.75% Notes, due April 15, 2007  
9.125% Senior Notes, due December 15, 2011  
9.375% Notes, due August 1, 2039

New York Stock Exchange  
New York Stock Exchange  
New York Stock Exchange  
New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None  
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Indicate by check mark if the registrant is a well-known seasoned  
issuer, as defined by Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file

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reports pursuant to Section 13 of Section 15(d) of the Act. Yes [ ] No [X]

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer X Accelerated filer Non-accelerated filer

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of the close of business on September 9, 2005, the registrant's most recently completed second fiscal quarter, was \$1,122,677,684.

The number of shares of common stock outstanding as of the close of business on May 4, 2006 was 41,283,759.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part I, Items 1 and 3, and Part II, Items 5, 6, 7, 7A, 8, 9A and 15 are incorporated by reference from the Registrant's Fiscal 2005 Annual Report to Stockholders. The information required by Part III, Items 10, 11, 12, 13, and 14 are incorporated by reference from the Registrant's Proxy Statement.

PART I

ITEM 1 - BUSINESS

GENERAL

The Great Atlantic & Pacific Tea Company, Inc. ("A&P", "we", "our", "us" or "our Company") is engaged in the retail food business. We operated 405 stores averaging approximately 40,700 square feet per store as of February 25, 2006.

Operating under the trade names A&P(R), Super Fresh(R), Sav-A-Center(R), Farmer Jack(R), Waldbaum's(TM), Super Foodmart, Food Basics(R), and The Food Emporium(R), we sell groceries, meats, fresh produce and other items commonly offered in supermarkets. In addition, many stores have bakery,

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delicatessen, pharmacy, floral, fresh fish and cheese departments and on-site banking. National, regional and local brands are sold as well as private label merchandise. In support of our retail operations, we sell other private label products in our stores under other brand names of our Company which include without limitation, America's Choice(R), Master Choice(R), Health Pride(R), and Savings Plus.

Building upon a broad base of A&P supermarkets, our Company has historically expanded and diversified within the retail food business through the acquisition of other supermarket chains and the development of several alternative store types. We now operate our stores with merchandise, pricing and identities tailored to appeal to different segments of the market, including buyers seeking gourmet and ethnic foods, a wide variety of premium quality private label goods and health and beauty aids along with the array of traditional grocery products.

The Company's Securities and Exchange Commission ("SEC") filings are promptly posted to its website at [www.aptea.com](http://www.aptea.com) after they are filed with the SEC and can be accessed free of charge through a link on the "Investors" page.

### MODERNIZATION OF FACILITIES

During fiscal 2005, we expended approximately \$191 million for capital projects, which included 3 new supermarkets and 41 major remodels or enlargements. Our Company has planned capital expenditures of approximately \$175 to \$200 million in fiscal 2006. These expenditures relate primarily to opening 2 to 5 new supermarkets, converting 5 to 10 stores to new formats, and enlarging or remodeling 40 - 60 supermarkets. In addition, we plan to continue with at least similar levels of capital expenditures in fiscal 2007 and several years thereafter.

### SOURCES OF SUPPLY

Our Company currently acquires a significant amount of our saleable inventory from one supplier, C&S Wholesale Grocers, Inc. Although there are a limited number of distributors that can supply our stores, we believe that other suppliers could provide similar product on comparable terms.

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### EMPLOYEES

As of February 25, 2006, we had approximately 38,000 employees, of which 66% were employed on a part-time basis. Approximately 87% of our employees are covered by union contracts.

### COMPETITION

The supermarket business is highly competitive throughout the marketing areas served by our Company and is generally characterized by low profit margins on sales with earnings primarily dependent upon rapid inventory turnover, effective cost controls and the ability to achieve high sales volume. We compete for sales and store locations with a number of national and regional chains, as well as with many independent and cooperative stores and markets.

### SEGMENT INFORMATION

The segment information required is contained under the caption "Note 15 - Operating Segments" in the Fiscal 2005 Annual Report to Stockholders and is

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herein incorporated by reference.

### FOREIGN OPERATIONS

The information required is contained under the captions "Management's Discussion and Analysis", "Note 1 - Summary of Significant Accounting Policies", "Note 2 - Divestiture of our Businesses in Canada and the Midwestern United States", "Note 6 - Valuation of Goodwill and Long-Lived Assets", "Note 8 - Asset Disposition Initiatives", "Note 9 - Indebtedness", "Note 12 - Income Taxes", "Note 13 - Retirement Plans and Benefits", "Note 15 - Operating Segments", "Note 16 - Related Party Transactions", and "Note 17 - Hedge of Net Investment in Foreign Operations" in the Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference.

### ITEM 1A - RISK FACTORS

Set forth below is a summary of the material risks to an investment in our securities.

- o Actions of competitors could adversely affect our sales and future profits. The grocery retailing industry continues to experience fierce competition from other food retailers, super-centers, mass merchandisers, warehouse clubs, drug stores, dollar stores and restaurants. 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 share of sales, thus reducing margins.
  - o Changes in the general business and economic conditions in our operating regions, 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. We have assumed economic and competitive situations will not worsen in fiscal 2006 and 2007. However, we cannot fully foresee the effects of changes in economic conditions, inflation, population growth, the rising prices of oil and gas, customer shopping habits and the consolidation of the food industry on our business.
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- o Our capital expenditures could differ from our estimate if we are unsuccessful in acquiring suitable sites for new stores, or if development and remodel costs vary from those budgeted.
  - o Our ability to achieve our profit goals will be affected by (i.) 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, (ii.) our ability to achieve productivity improvements and shrink reduction in our stores, (iii.) our success in generating efficiencies in our supporting activities, and (iv.) our ability to eliminate or maintain a minimum level of supply and/or quality control problems with our vendors.

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- o The vast majority of our employees are members of labor unions. While we believe that our relationships with union leaderships and our employees are satisfactory, we operate under collective bargaining agreements which periodically must be renegotiated. In the coming year, we have several contracts expiring and under negotiation. In each of these negotiations rising health care and pension costs will be an important issue, as will the nature and structure of work rules. We are hopeful, but cannot be certain, that we can reach satisfactory agreements without work stoppages in these markets. However, the actual terms of the renegotiated collective bargaining agreements, our future relationships with our employees and/or a prolonged work stoppage affecting a substantial number of stores could have a material effect on our results.
- o The amount of contributions made to our pension and multi-employer plans will be affected by the performance of investments made by the plans and the extent to which trustees of the plans reduce the costs of future service benefits.
- o Our Company currently acquires a significant amount of our saleable inventory from one supplier, C&S Wholesale Grocers, Inc. Although there are a limited number of distributors that can supply our stores, we believe that other suppliers could provide similar product on comparable terms. However, a change in suppliers could cause a delay in distribution and a possible loss of sales, which would affect operating results adversely.
- o We have estimated our exposure to claims, administrative proceedings and litigation and believe we have made adequate provisions for them, where appropriate. Unexpected outcomes in both the costs and effects of these matters could result in an adverse effect on our earnings.

Other factors and assumptions not identified above could also cause actual results to differ materially from those set forth in the forward-looking information. Accordingly, actual events and results may vary significantly from those included in or contemplated or implied by forward-looking statements made by us or our representatives.

### ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

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### ITEM 2 - PROPERTIES

At February 25, 2006, we owned 37 properties consisting of the following:

Stores, Not Including Stores in Owned Shopping Centers	
Land and building owned	10
Building owned and land leased	16
	----
Total stores	26
Shopping Centers	
Land and building owned	1
Building owned and land leased	1
	----
Total shopping centers	2
Warehouses	

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Land and building owned	1
Administrative and Other Properties	
Land and building owned	3
Building owned and land leased	1
Undeveloped land	4
	----
Total other properties	8
	----
Total Properties	37
	=====

At February 25, 2006, we operated 405 retail stores. These stores are geographically located as follows:

### COMPANY STORES:

New England States:	
Connecticut	26
	----
Total	26
Middle Atlantic States:	
District of Columbia	1
Delaware	9
Maryland	30
New Jersey	93
New York	131
Pennsylvania	25
	----
Total	289
Midwestern States:	
Michigan	67
	----
Total	67
Southern States:	
Louisiana	21
Mississippi	2
	----
Total	23
	----
Total Stores	405
	=====

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The total area of all of our operated retail stores is 16.5 million square feet averaging approximately 40,700 square feet per store. Excluding liquor and The Food Emporium(R) stores, which are generally smaller in size, the average store size is approximately 44,200 square feet. The 3 new stores opened in fiscal 2005 consisted of 3 supermarkets and range in size from 33,600 to 50,900 square feet, with an average size of approximately 44,000 square feet. The stores built over the past several years and those planned for fiscal 2006 and thereafter, generally range in size from 40,000 to 60,000 square feet. The selling area of new stores is approximately 75% of the total square footage.

As of the end of fiscal 2005, we operated 2 warehouses to service our

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store network located in Michigan. Our store network is also serviced by C&S Wholesale Grocers, Inc.

### ITEM 3 - LEGAL PROCEEDINGS

The information required is contained under the caption "Note 18 - Commitments and Contingencies" in the Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference.

### ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2005.

## PART II

### ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The information required is contained under the captions "Summary of Quarterly Results", "Five Year Summary of Selected Financial Data", and "Stockholder Information" in the Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference.

Although our Company declared and paid a special one-time dividend to our shareholders of record on April 17, 2006 equal to \$7.25 per share in April 2006, which is subsequent to our fiscal year end of February 25, 2006, our Company's policy is to not pay dividends. As such, we have not made dividend payments in the previous three years and do not intend to pay dividends in the normal course of business in fiscal 2006. However, our Company is permitted, under the terms of our Revolver, to pay cash dividends on common shares.

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Securities authorized for issuance under equity compensation plans are summarized below:

	As of February 25, 2006	
Plan Category	Number of Securities to be Issued Upon Exercises	Weighted Average Exercise Price of Outstanding Options and Rights
1994 Stock Option Plan for officers and key employees	424,585	\$ 19.96
1998 Long Term Incentive and Share Award Plan	1,082,666	18.98
1994 Stock Option Plan for Board of Directors	27,134	18.53
TOTAL OPTIONS OUTSTANDING AS OF FEBRUARY 25, 2006	1,534,385	\$ 19.24

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- \* On March 17, 2004, the plan expired.
- \*\* At our Annual Meeting of Stockholders on July 14, 2005, the Board of Directors voted to increase the number of shares that may be issued under the 1998 Long Term Incentive and Share Award Plan by 3,000,000 shares.

ITEM 6 - SELECTED FINANCIAL DATA

The information required is contained under the caption "Five Year Summary of Selected Financial Data" in the Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required is contained under the caption "Management's Discussion and Analysis" in the Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required is contained in the section "Market Risk" under the caption "Management's Discussion and Analysis" in the Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

- (a) Financial Statements: The financial statements required to be filed herein are described in Part IV, Item 15 of this report. Except for the sections included herein by reference, our Fiscal 2005 Annual Report to Stockholders is not deemed to be filed as part of this report.
- (b) Supplementary Data: The information required is contained under the caption "Summary of Quarterly Results" in the Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference.

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ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on accounting and financial disclosure during the fiscal year ended February 25, 2006.

ITEM 9A - CONTROLS AND PROCEDURES

Evaluation of Disclosure 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



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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 President 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 President 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, as of February 25, 2006, our Company's President 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 February 25, 2006.

The Company's management does not expect that its disclosure controls and procedures or its internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some person or by collusion of two or more people. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, the Company's disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, the Company's management has concluded, based on their evaluation as of the end of the period, that our disclosure controls and procedures were sufficiently effective to provide reasonable assurance that the objectives of our disclosure control system were met.

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Incorporation by reference of Management's Annual Report on Internal Control over Financial Reporting

Management of The Great Atlantic and Pacific Tea Company, Inc. has prepared an annual report on internal control over financial reporting. Management's report, together with the attestation report of the independent registered public accounting firm, is included in our Company's Fiscal 2005 Annual Report to Stockholders and is herein incorporated by reference in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

Other than discussed below, there has been no change during our

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Company's fiscal quarter ended February 25, 2006 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.

In the fourth quarter of fiscal 2005, our Company completed the sale of our U.S. distribution operations and the majority of our warehouse facilities and related assets to C&S Wholesale Grocers, Inc. In connection with the sale of these operations, our Company no longer maintains internal controls over financial reporting relating to these warehouse physical inventories and related reconciliations. We have evaluated and identified our key controls associated with the revised process and these key controls have been implemented and tested.

### ITEM 9B - OTHER INFORMATION

None

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### PART III

#### ITEMS 10 AND 11 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT AND EXECUTIVE COMPENSATION

The executive officers of our Company are as follows:

Name	Age	Current Position
----	---	-----
Christian W.E. Haub	41	Executive Chairman
Eric Claus	49	President and Chief Executive Officer
John E. Metzger	51	Executive Vice President
Brenda M. Galgano	37	Senior Vice President and Chief Financial Officer
Jennifer MacLeod	45	Senior Vice President, Marketing and Communications
Allan Richards	42	Senior Vice President, Human Resources, Labor Relations, Legal Services & Secretary
Stephen Slade	55	Senior Vice President, Merchandising
Paul Wiseman	45	Senior Vice President, Store Operations
William Moss	58	Vice President and Treasurer
Melissa Sungela	40	Vice President and Corporate Controller

The executive officers of our Company are chosen annually and serve under the direction of the Chief Executive Officer ("CEO") with the consent of the Board of Directors.

Mr. Haub was appointed Executive Chairman in August 2005. He was elected a director in December 1991, and is Chair of the Executive Committee. Mr. Haub previously served as Chairman of the Board and Chief Executive Officer; and as Chief Operating Officer of our Company from December 1993, becoming Co-Chief Executive Officer in April 1997, sole CEO in May 1998 and Chairman of the Board in May 2001. Mr. Haub also served as President of the Company from December 1993 through February 2002, and from November 2002 through November 2004. Mr. Haub, son of Helga Haub, is a partner and Co-Chief Executive Officer of Tengelmann Warenhandels-gesellschaft KG, a partnership organized under the laws of the Federal Republic of Germany ("Tengelmann"). Mr. Haub is on the Board of Directors of Metro, Inc., the Food Marketing Institute and on the Board of

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Trustees of St. Joseph's University in Philadelphia, Pennsylvania.

Mr. Claus was appointed President & Chief Executive Officer in August 2005. Mr. Claus previously served as President & Chief Executive Officer, Canadian Company from November 2002 to August 2005. Prior to joining our Company, Mr. Claus served as Chief Executive Officer of Co-Op Atlantic, between February 1997 and November 2002.

Mr. Metzger was appointed Executive Vice President in September 2005. Mr. Metzger previously served as Senior Vice President, Chief Information Officer from February 2002 to September 2005, with the exception of mid-September, 2004 through mid-November, 2004, when he served as the Company's Executive Vice President, Fresh Stores. Prior to that, he was Senior Vice President and Business Process Initiative Business Leader from May 2001 to February 2002, and Vice President, Supply & Logistics from October 1999 to May 2001. Prior to joining our Company, Mr. Metzger was Senior Vice President of CS Integrated LLC from January 1998 to October 1999 and before that, Vice President, Distribution & Procurement for General Mills Restaurants, Inc. from October 1993 to November 1997. Mr. Metzger is a director of the Institute for Standards & Collaboration Commerce, Inc.

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Ms. Galgano, CPA, was appointed Senior Vice President and Chief Financial Officer in November 2005. Ms. Galgano served as Senior Vice President and Corporate Controller, from November 2004 to November 2005; Vice President, Corporate Controller from February 2002 to November 2004, Assistant Corporate Controller of our Company from July 2000 to February 2002 and Director of Corporate Accounting from October 1999 to July 2000. Prior to joining our Company, Ms. Galgano was with PricewaterhouseCoopers as Senior Manager, Assurance and Business Advisory Services.

Ms. MacLeod was appointed Senior Vice President, Marketing and Communications in November 2005. Prior to joining our Company, Ms. MacLeod served as Vice President of Marketing and Public Relations from 1998 to November 2005 for Co-op Atlantic, an operator based in New Brunswick, Canada.

Mr. Richards was appointed Senior Vice President, Human Resources, Labor Relations & Legal Services in September 2005 and in October 2005 was additionally appointed the Company's Secretary. Prior to that Mr. Richards served as Senior Vice President, Labor Relations & Human Resources from July 2004 to September 2005 and as Senior Vice President, Labor Relations from March 2004 to July 2004. Prior to joining our Company Mr. Richards served as a consultant with MGS Consulting, Inc. from July 2003 to July 2004; and prior to that as Director of Labor Relations and Employment Law for Fleming Companies, Inc. from June 2000 to July 2003.

Mr. Slade was appointed Senior Vice President, Merchandising in September 2005. Prior to that Mr. Slade served as Executive Vice President, Operations from November 2004 to September 2005; and as Banner President from February 2004 to November 2005. Prior to joining our Company, Mr. Slade served from 1999 to 2004 as a Managing Director of K-Mart, a nationwide retailer.

Mr. Wiseman was appointed Senior Vice President, Store Operations in September 2005. Prior to that Mr. Wiseman was Senior Vice President, Discount Operations, A&P Canada from 2004 to September 2005 and prior to that served as District Manager/Vice President Retail Operations from 1999 to 2004 for Co-op Atlantic, an operator based in New Brunswick, Canada.

Mr. Moss was appointed Vice President and Treasurer in February 2002.

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Prior to that Mr. Moss was Vice President, Treasury Services and Risk Management from 1992 to February 2002.

Ms. Sungela, CPA, was appointed Vice President and Corporate Controller in November 2005. Ms. Sungela served as Vice President and Assistant Corporate Controller from June 2004 to November 2005. Prior to joining our Company, Ms. Sungela was North American Controller for Amersham Biosciences, a part of GE Healthcare, from April 2002 to June 2004. Previously, she served as Director of Accounting Policy for Honeywell, from June 1998 to January 2002.

The information required regarding our directors, executive compensation and our beneficial ownership reporting compliance is contained under the captions "Election of Directors", "Executive Compensation" and "Section 16(a) Beneficial Ownership Reporting Compliance", respectively, in the Proxy Statement for our 2006 Annual Meeting of Stockholders, to be filed on or about May 24, 2006 ("Proxy Statement"), and is herein incorporated by reference.

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### Audit Committee Financial Expert

The Board has determined that each member of the Audit Committee is independent in accordance with the NYSE listing rules, the Company's Standards of Independence and Rule 10A-3 of the Exchange Act. In addition, the Board has determined that each member of the Audit Committee qualifies as an "audit committee financial expert," as defined by the SEC.

### Code of Business Conduct and Ethics

Our Company has adopted a Code of Business Conduct and Ethics applicable to all employees. This Code is applicable to Senior Financial Executives including the chief executive officer, chief financial officer and chief accounting officer of our Company. A&P's Code of Business Conduct and Ethics is available on the Company's Web site at [www.aptea.com](http://www.aptea.com) under "Corporate Governance." Our Company intends to post on its web site any amendments to, or waivers from, its Code of Business Conduct and Ethics applicable to Senior Financial Executives.

### ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### BENEFICIAL OWNERSHIP OF MORE THAN 5% OF THE COMPANY'S COMMON STOCK

The information required is contained in our Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management", and is herein incorporated by reference.

### ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required is contained in our Proxy Statement under the heading "Certain Relationships and Transactions", and is herein incorporated by reference.

### ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required is contained in our Proxy Statement under the heading "Independent Registered Public Accounting Firm", and is herein incorporated by reference.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) DOCUMENTS FILED AS PART OF THIS REPORT.

- 1) Financial Statements: The financial statements required by Item 8 are included in the Fiscal 2005 Annual Report to Stockholders. The following required items are herein incorporated by reference:

Consolidated Statements of Operations  
 Consolidated Statements of Stockholders' Equity and Comprehensive (Loss) Income  
 Consolidated Balance Sheets  
 Consolidated Statements of Cash Flows  
 Notes to Consolidated Financial Statements  
 Report of Independent Registered Public Accounting Firm

- 2) Financial Statement Schedule:

Schedule II Valuation and Qualifying Accounts and Reserves

All other schedules are omitted because they are not required or do not apply, or the required information is included elsewhere in the Consolidated Financial Statements or Notes thereto.

- 3) Exhibits:

The following are filed as Exhibits to this Report:

EXHIBIT NO. -----	DESCRIPTION -----
2.1	Stock Purchase Agreement, dated as of July 19, 2005, by and among the Luxembourg S.a.r.l., Metro Inc. and 4296711 Canada Inc. (incorporated reference to Exhibit 2.1 to Form 8-K filed on July 22, 2005)
3.1	Articles of Incorporation of The Great Atlantic & Pacific Tea Company amended through July 1987 (incorporated herein by reference to Exhibit Form 10-K filed on May 27, 1988)
3.2	By-Laws of The Great Atlantic & Pacific Tea Company, Inc., as amended through October 6, 2005 (incorporated herein by reference to Exhibit 8-K filed on October 11, 2005)
4.1	Indenture, dated as of January 1, 1991 between the Company and JPMorg (formerly The Chase Manhattan Bank as successor by merger to Manufact Trust Company), as trustee (the "Indenture") (incorporated herein by Exhibit 4.1 to Form 8-K)

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- 4.2 First Supplemental Indenture, dated as of December 4, 2001, to the Indenture dated as of January 1, 1991 between our Company and JPMorgan Chase Bank, N.A. to the 7.70% Senior Notes due 2004 (incorporated herein by reference to Exhibit 4.1 to Form 8-K filed on December 4, 2001)
- 4.3 Second Supplemental Indenture, dated as of December 20, 2001, to the Indenture between our Company and JPMorgan Chase Bank, N.A., relating to the 9 1/8% Senior Notes due 2011 (incorporated herein by reference to Exhibit 4.1 to Form 8-K filed on December 20, 2001)
- 4.4 Successor Bond Trustee (incorporated herein by reference to Exhibit 4.1 to Form 10-K filed on May 9, 2003)
- 4.5 Third Supplemental Indenture, dated as of August 23, 2005, to the Indenture between the Company and Wilmington Trust Company (as successor to JPMorgan Chase Bank, N.A.) (incorporated herein by reference to Exhibit 4.1 to Form 8-K filed on August 23, 2005)
- 4.6 Fourth Supplemental Indenture, dated as of August 23, 2005, to the Indenture between the Company and Wilmington Trust Company (as successor to JPMorgan Chase Bank, N.A.) (incorporated herein by reference to Exhibit 4.2 to Form 8-K filed on August 23, 2005)
- 4.7 Credit Agreement dated as of November 15, 2005 between the Company and Banc of America, N.A. as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A. as Syndication Agent, Wachovia Bank, National Association as Documenting Agent and Banc of America Securities LLC as Lead Arranger (incorporated herein by reference to Exhibit 4.1 to Form 8-K filed on November 18, 2005 and Exhibit 4.2 to Form 8-K filed April 10, 2006)
- 10.1\* Executive Employment Agreement, made and entered into as of the 15th day of August, 2005, by and between the Company and Mr. Eric Claus (incorporated herein by reference to Exhibit 10.1 to Form 8-K filed on September 9, 2005) and its amendment as filed herein
- 10.2 Employment Agreement, made and entered into as of the 1st day of November 2001 by and between the Company and William P. Costantini (incorporated herein by reference to Exhibit 10 to Form 10-Q filed on January 16, 2001) ("Costantini Agreement")
- 10.3 Amendment to Costantini Agreement dated April 30, 2002 (incorporated herein by reference to Exhibit 10.7 to Form 10-K filed on July 5, 2002)
- 10.4 Confidential Separation and Release Agreement by and between William P. Costantini and The Great Atlantic & Pacific Tea Company, Inc. dated November 4, 2005 (incorporated herein by reference to Exhibit 10.4 to Form 10-Q filed on November 10, 2005)
- 10.5 Employment Agreement, made and entered into as of the 16th day of June 2003 by and between our Company and Brenda Galgano (incorporated herein by reference to Exhibit 10.9 to Form 10-Q filed on October 17, 2003)

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- 10.6 Employment Agreement, made and entered into as of the 24th day of February 2002 by and between our Company and Mitchell P. Goldstein (incorporated herein by reference to Exhibit 10.8 to Form 10-K filed on July 5, 2002)
- 10.7 Letter Agreement dated September 6, 2005, between Mitchell P. Goldstein and our Company (incorporated herein by reference to Exhibit 10.2 to Form 8-K filed on September 9, 2005)
- 10.8 Employment Agreement, made and entered into as of the 2nd day of October 2002 and between our Company and Peter Jueptner (incorporated herein by reference to Exhibit 10.26 to Form 10-Q filed on October 22, 2002) ("Jueptner Agreement")
- 10.9 Amendment to Jueptner Agreement dated November 10, 2004 (incorporated herein by reference to Exhibit 10.8 to Form 10-K filed on May 10, 2005)
- 10.10 Offer Letter dated the 18th day of September 2002, by and between our Company and Peter Jueptner (incorporated herein by reference to Exhibit 10.10 to Form 10-K filed on January 10, 2003)
- 10.11 Employment Agreement, made and entered into as of the 14th day of May 2002 and between our Company and John E. Metzger, as amended February 14, 2002 (incorporated herein by reference to Exhibit 10.13 to Form 10-K filed on February 14, 2002) ("Metzger Agreement")
- 10.12 Amendment to John E. Metzger Agreement dated October 25, 2004 (incorporated herein by reference to Exhibit 10.12 to Form 10-K filed on May 10, 2005)
- 10.13\* Employment Agreement, made and entered into as of the 25th day of January 2002 by and between our Company and Jennifer MacLeod, as filed herein
- 10.14 Employment Agreement, made and entered into as of the 1st day of March 2002 and between our Company and William J. Moss (incorporated herein by reference to Exhibit 10.13 to Form 10-K filed on May 10, 2005)
- 10.15 Employment Agreement, made and entered into as of the 28th day of October 2002 by and between our Company and Brian Piwek, and Offer Letter dated the 28th day of October, 2002 (incorporated herein by reference to Exhibit 10.14 to Form 10-K filed on January 10, 2003) ("Piwek Agreement")
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- 10.16 Amendment to Brian Piwek Agreement dated February 4, 2005 (incorporated herein by reference to Exhibit 10.15 to Form 10-K filed on May 10, 2005)
- 10.17 Employment Agreement, made and entered into as of the 4th of January 2006 between our Company and Melissa E. Sungela, (incorporated herein by reference to Exhibit 10.17 to Form 10-Q filed on January 6, 2006)
- 10.18 Employment Agreement, made and entered into as of the 12th of September 2005 and between our Company and Paul Wiseman (incorporated herein by reference to Exhibit 10.17 to Form 10-Q filed on October 18, 2005)
- 10.19 Employment Agreement, made and entered into as of the 2nd of December 2005 between our Company and Allan Richards (incorporated herein by reference to Exhibit 10.18 to Form 10-Q filed on October 18, 2005)
- 10.20 Employment Agreement, made and entered into as of the 2nd of December 2005

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- between our Company and Stephen Slade (incorporated herein by reference to Exhibit 10.19 to Form 10-Q filed on October 18, 2005)
- 10.21 Supplemental Executive Retirement Plan effective as of September 1, 1998 (incorporated herein by reference to Exhibit 10.B to Form 10-K filed on May 10, 2005)
- 10.22 Supplemental Retirement and Benefit Restoration Plan effective as of January 1, 2001 (incorporated herein by reference to Exhibit 10(j) to Form 10-K filed on May 23, 2001)
- 10.23 1994 Stock Option Plan (incorporated herein by reference to Exhibit 10(k) to Form 10-K filed on May 24, 1995)
- 10.24 1998 Long Term Incentive and Share Award Plan (incorporated herein by reference to Exhibit 10(k) to Form 10-K filed on May 19, 1999 and to Appendix B to Form 10-K filed on May 27, 2005)
- 10.25 Form of Stock Option Grant (incorporated herein by reference to Exhibit 10.25 to Form 10-K filed on May 10, 2005)
- 10.26 Description of 2005 Turnaround Incentive Compensation Program (incorporated herein by reference to Exhibit 10.21 to Form 10-K filed on May 10, 2005)
- 10.27 Form of Restricted Share Unit Award Agreement (incorporated herein by reference to Exhibit 10.22 to Form 10-K filed on May 10, 2005)
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- 10.28 1994 Stock Option Plan for Non-Employee Directors (incorporated herein by reference to Exhibit 10(f) to Form 10-K filed on May 24, 1995)
- 10.29 2004 Non-Employee Director Compensation effective as of July 14, 2004 (incorporated herein by reference to Exhibit 10.15 to Form 10-Q filed on October 18, 2005)
- 10.30\* Description of Management Incentive Plan (incorporated herein by reference to Exhibit 10.26 to Form 10-K filed on May 10, 2005) and as filed herein
- 10.31 Asset Purchase Agreement, dated as of June 27, 2005, by and between the Company and Ocean Logistics LLC and C&S Wholesale Grocers, Inc. (incorporated herein by reference to Exhibit 10.38 to Form 10-Q filed on October 18, 2005)
- 10.32 Supply Agreement, dated as of June 27, 2005, by and between the Company and C&S Wholesale Grocers, Inc. (incorporated herein by reference to Exhibit 10.39 to Form 10-Q filed on October 18, 2005)
- 10.33 Information Technology Transition Services Agreement by and between the Company, Atlantic and Pacific Tea Company, Limited ("A&P Canada") and Metro, Inc. entered into on August 15, 2005 (incorporated herein by reference to Exhibit 10.40 to Form 10-Q filed on October 18, 2005)
- 10.34 Investor Agreement by and between A&P Luxembourg S.a.r.l., a wholly owned subsidiary of the Company, and Metro, Inc. entered into on August 15, 2005 (incorporated herein by reference to Exhibit 10.41 to Form 10-Q filed on October 18, 2005)



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- 10.35 Letter of Credit Agreement, dated as of October 14, 2005 between the Bank of America, N.A., as Issuing Bank, (incorporated herein by reference to Exhibit 10.42 to Form 10-Q filed on October 18, 2005)
- 13\* Fiscal 2005 Annual Report to Stockholders
- 14\* Code of Business Conduct and Ethics
- 16 Letter on Change in Certifying Accountant (incorporated herein by reference to Forms 8-K filed on September 18, 2002 and September 24, 2002, and Form 10-Q filed on September 24, 2002)
- 18 Preferability Letter Issued by PricewaterhouseCoopers LLP (incorporated herein by reference to Exhibit 18 to Form 10-Q filed on July 29, 2004)
- 21\* Subsidiaries of Registrant
- 23\* Consent of Independent Registered Public Accounting Firm

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- 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-K

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### Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Stockholders and Board of Directors  
of The Great Atlantic & Pacific Tea Company, Inc.:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated May 9, 2006 appearing in the Fiscal 2005 Annual Report to Stockholders of The Great Atlantic & Pacific Tea Company, Inc. (which report, consolidated financial statements and assessment are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the

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financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP  
New York, New York  
May 9, 2006

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SCHEDULE II

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
YEARS ENDED FEBRUARY 28, 2004, FEBRUARY 26, 2005, AND FEBRUARY 25, 2006  
(IN THOUSANDS)

Allowance for Bad Debts for Year Ended	Beginning Balance	Impact of Adoption of FIN 46-R	Additions Charged to Costs & Expenses	Additions Charged to Other Accounts	Deductions (1)	Ad
Feb. 28, 2004	9,799	(4,200)	5,225	-	(4,554)	
Feb. 26, 2005	6,316	-	(1,745)	-	1,072	
Feb. 25, 2006	5,713	-	3,913	-	(159)	

Stock Loss Reserve for Year Ended	Beginning Balance	Impact of Adoption of FIN 46-R	Additions Charged to Costs & Expenses	Additions Charged to Other Accounts	Deductions	Ad
Feb. 28, 2004	8,081	-	(1,147)	-	(251)	
Feb. 26, 2005	6,792	-	3,016	-	-	
Feb. 25, 2006	9,889	-	5,437	-	-	

Deferred Tax Valuation Allowance for Year Ended	Beginning Balance	Impact of Adoption of FIN 46-R	Additions Charged to Costs & Expenses	Additions Charged to Other Accounts	Deductions (3)
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Feb. 28, 2004	161,495	-	67,682	-	-
Feb. 26, 2005	229,177	-	89,632	-	-
Feb. 25, 2006	318,809	-	18,652	-	(260,441)

- (1) Deductions to Allowance for Bad Debts represent write-offs of accounts receivable balances.
- (2) As discussed in Note 2 of our Consolidated Financial Statements for the year ended February 25, 2006, we sold our Canadian operations on August 13, 2005 and as a result, the Canadian balances are no longer consolidated in our Consolidated Balance Sheet at February 25, 2006.
- (3) Deductions to the Deferred Tax Valuation Allowance represent utilization of net operating loss carryforwards as a result of the sale of our Canadian operations.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.  
(registrant)

Date: May 9, 2006 By: /s/ Brenda M. Galgano  
-----  
Brenda M. Galgano, Senior Vice President,  
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and as of the date indicated.

/s/ Christian W.E. Haub ----- Christian W.E. Haub	Executive Chairman
/s/ John D. Barline ----- John D. Barline	Director
/s/ Jens-Jurgen Bockel ----- Jens-Jurgen Bockel	Director
/s/ Bobbie A. Gaunt ----- Bobbie Gaunt	Director
/s/ Helga Haub -----	Director

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Helga Haub

/s/ Dan P. Kourkouvelis

Director

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Dan P. Kourkouvelis

/s/ Edward Lewis

Director

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Edward Lewis

/s/ Richard L. Nolan

Director

-----  
Richard L. Nolan

/s/ Maureen B. Tart-Bezer

Director

-----  
Maureen B. Tart-Bezer

The above-named persons signed this report on behalf of the registrant on May 9, 2006.

/s/ Melissa E. Sungela

Vice President, Corporate Controller

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Melissa E. Sungela

May 9, 2006