

GREAT ATLANTIC & PACIFIC TEA CO INC
Form DEF 14A
June 03, 2008

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

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO. 3)**

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Section 240.14a-12.

The Great Atlantic & Pacific Tea Company, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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- (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
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 - (4) Proposed maximum aggregate value of transaction:
-

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

2 Paragon Drive
Montvale, New Jersey 07645

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD June 26, 2008**

To the stockholders of THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.:

We will hold a Special Meeting of Stockholders (the *Special Meeting*) of The Great Atlantic & Pacific Tea Company, Inc., a Maryland corporation (the *Company* or *A&P*), at The Woodcliff Lake Hilton, 200 Tice Boulevard, Woodcliff Lake, New Jersey, on Thursday, June 26, 2008, at 9:00 A.M. (E.S.T.), for the following purposes:

1. to consider and vote on a proposal to approve an amendment to the Company's charter in the form attached to the accompanying proxy statement as Appendix A and incorporated herein by reference to increase the total number of shares of common stock which the Company has authority to issue from 80,000,000 shares to 160,000,000 shares;
2. to consider and vote on a proposal to approve the

issuance of the
Company's
common stock
pursuant to a
net share
settlement of
the warrants
described in the
accompanying
proxy
statement;

3. to consider and
vote on a
proposal to
approve the
issuance of an
additional
1,577,569
shares of the
Company's
common stock
pursuant to the
share lending
agreements
described in the
accompanying
proxy
statement;
4. to consider and
vote on a
proposal to
approve the
adoption of the
Company's
2008 Long
Term Incentive
and Share
Award Plan;
5. to consider and
vote on a
proposal to
adjourn or
postpone the
Special
Meeting, if
necessary, to
solicit
additional

proxies; and

6. to transact any other business as may properly come before the meeting and any adjournments or postponements thereof.

The board of directors has fixed May 27, 2008 as the record date for this meeting. Only stockholders of record at the close of business on that date are entitled to receive notice and to vote at the meeting or at any adjournment or postponement thereof.

The affirmative vote of two-thirds of the outstanding shares of the Company's common stock entitled to vote on the matter is required to approve Proposal 1. The affirmative vote of a majority of the votes cast by holders of the Company's common stock at the Special Meeting is required to approve each of Proposals 2, 3 and 4, *provided* that the total votes cast must represent a majority of the outstanding shares of the Company's common stock entitled to vote on each such proposal. The adoption of Proposal 5 requires the affirmative vote of a majority of shares of the Company's common stock represented in person or by proxy at the Special Meeting and entitled to vote on the record date, regardless of whether a quorum is present.

Whether or not you plan to attend the meeting, please either complete, sign and return the accompanying proxy card to the Company in the enclosed envelope, which requires no postage if mailed in the United States, or use the Internet or telephone proxy authorization options detailed on the proxy card. If you hold your shares through a bank, brokerage firm or nominee, you should follow the instructions of your bank, brokerage firm or nominee regarding voting your shares.

By Order of the Board of Directors

Allan Richards

Senior Vice President, Human Resources,

Labor Relations, Legal Services & Secretary

June 3, 2008

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 26, 2008. The proxy statement is available at www.aptea.com/investors.asp.

You are cordially invited to attend the meeting. Whether or not you plan to do so, your vote is important. Please promptly submit your proxy by mail, telephone or the Internet.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

2 Paragon Drive
Montvale, New Jersey 07645

PROXY STATEMENT

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SOLICITATION AND REVOCATION OF PROXIES

This proxy statement is furnished by the board of directors of The Great Atlantic & Pacific Tea Company, Inc. (the *Company* or *A&P*) for use at the Company's Special Meeting of Stockholders to be held on June 26, 2008 (the *Special Meeting*). It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company, by telephone or by other means of communication at nominal cost. The Company will bear the cost of such solicitation. It will reimburse banks, brokers and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of stock in accordance with the New York Stock Exchange (*NYSE*) schedule of charges. Any stockholder giving a proxy has the power to revoke it at any time prior to its exercise by giving notice in writing to the Secretary, at the address above, or by casting a ballot at the meeting in person or by proxy. This proxy statement is first being mailed to stockholders on or about June 3, 2008.

The Company has retained MacKenzie Partners, Inc. to assist in the solicitation of proxies for the meeting and to verify the records relating to the solicitations. MacKenzie Partners, Inc. will receive reasonable and customary compensation for its services (estimated at \$25,000) and will be reimbursed for certain reasonable out-of-pocket expenses and other customary costs.

VOTING AT MEETING

Record Date; Required Votes

The Company's board of directors has fixed the close of business on May 27, 2008 as the record date for determining the holders of the Company's common stock entitled to notice of, and to vote at, the Special Meeting. Only holders of record of the Company's common stock at the close of business on the record date will be entitled to notice of, and to vote at, the Special Meeting or any adjournment or postponement of the Special Meeting. There are no appraisal or dissenter's rights with respect to any matter to be voted on at the Special Meeting.

As of the record date, 57,634,195 shares of the Company's common stock were issued and outstanding and entitled to vote at the Special Meeting and there were approximately 5,766 holders of record of the Company's common stock. Each share of common stock entitles the holder to one vote on each matter to be considered at the Special Meeting. If you are a record holder of the Company's common stock, you may vote your shares of the Company's common stock in person at the Special Meeting or by proxy as described below under *Voting by Proxy; Revocation of Proxies*.

The presence in person or by proxy at the Special Meeting of the holders of at least a majority of the outstanding shares of the Company's common stock entitled to vote at the meeting will constitute a quorum for the Special Meeting. Properly signed proxies that are marked *abstain* are known as abstentions. Abstentions will be counted for the purpose of determining whether a quorum exists at the Special Meeting.

Under the Maryland General Corporation Law (the *MGCL*), Proposal 1, to amend the Company's charter, requires the affirmative vote of two-thirds of the outstanding shares of the Company's common stock. Therefore, a stockholder's failure to vote, a broker nonvote or an abstention will have the same effect as a vote *AGAINST* approval of the amendment to the Company's charter.

Proposal 2, the proposal to approve the issuance of the Company's common stock pursuant to a net share settlement of the warrants issued in connection with the Financing (as defined below), requires the affirmative vote of a majority of all votes cast by the holders of common stock at a meeting at which a quorum is present, *provided* that the rules and regulations of the NYSE (the *NYSE Rules*) further require that the total votes cast on the proposal represent at least a majority of the outstanding shares of the Company's common stock entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, a stockholder's failure to vote will not affect the outcome of the vote on the proposal, assuming a majority of the outstanding

shares are voted on the proposal. Because the NYSE treats abstentions as votes cast with respect to Proposal 2, an abstention will have the same effect as a vote AGAINST this proposal.

Proposal 3, the proposal to approve the issuance of an additional 1,577,569 shares of the Company's common stock pursuant to the share lending agreements, requires the affirmative vote of a majority of all votes cast by the holders of common stock at a meeting at which a quorum is present, *provided* that the NYSE Rules further require that the total votes cast on the proposal represent at least a majority of the outstanding shares of the Company's common stock entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, a stockholder's failure to vote will not affect the outcome of the vote on the proposal, assuming a majority of the outstanding shares are voted on the proposal. Because the NYSE treats abstentions as votes cast with respect to Proposal 3, an abstention will have the same effect as a vote AGAINST this proposal.

Proposal 4, the proposal to approve the adoption of the Company's 2008 Long Term Incentive and Share Award Plan, requires the affirmative vote of a majority of all votes cast by the holders of common stock at a meeting at which a quorum is present, *provided* that the NYSE Rules further require that the total votes cast on the proposal represent at least a majority of the outstanding shares of the Company's common stock entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, a stockholder's failure to vote will not affect the outcome of the vote on the proposal, assuming a majority of the outstanding shares are voted on the proposal. Because the NYSE treats abstentions as votes cast with respect to Proposal 4, an abstention will have the same effect as a vote AGAINST this proposal.

Proposal 5, the proposal to adjourn or postpone the Special Meeting, if necessary, to solicit additional proxies, requires the affirmative vote of a majority of the votes cast by the holders of the Company's common stock at the Special Meeting.

Acting upon any procedural matters submitted to the stockholders at the Special Meeting will require the affirmative vote of a majority of the votes cast by the holders of the Company's common stock with respect to such proposal.

The Company does not expect that any matter other than the proposals listed above will be brought before the Special Meeting. If, however, other matters are properly brought before the Special Meeting, or any adjournment of the Special Meeting, the persons named as proxies will vote in accordance with their discretion.

Voting by Proxy; Revocation of Proxies

Each copy of this proxy statement mailed to the Company's stockholders is accompanied by a form of proxy and a self-addressed postage prepaid envelope.

If you are a registered stockholder (that is, if you hold your common stock in certificate form or are named as the record holder of such common stock on the stock transfer books of the Company), you should either complete and return the proxy card accompanying this proxy statement, or authorize a proxy by telephone, through the Internet or by any other electronic means by following the instructions included with your proxy card, in each case, to ensure that your vote is counted at the Special Meeting, or at any adjournment or postponement thereof, regardless of whether you plan to attend the Special Meeting.

If you hold your shares through a bank, brokerage firm or nominee, you should follow the separate voting instructions, if any, provided by the bank, brokerage firm or nominee with this proxy statement. Your bank, brokerage firm or nominee may permit proxy authorization through the Internet or by telephone. Please contact your bank, brokerage firm or nominee to determine how to vote your proxy.

You can revoke your proxy at any time before the vote is taken at the Special Meeting. If you have not voted through your bank, brokerage firm or nominee, you may revoke your proxy before the proxy is voted by:

delivering
a written
notice of
revocation
of proxy,
which is
dated a
later date
than the
initial
proxy, to
the
Company's
Secretary;

delivering
a duly
executed
proxy
bearing a
later date
than the
initial
proxy;

authorizing
a new
proxy by
telephone
or through
the Internet
at a later
time, but
not later
than 11:59
P.M.
(Eastern
Standard
Time) on
June 23,
2008 or the
day before
the meeting
date if the
Special
Meeting is
adjourned
or
postponed;
or

voting in
person at
the Special
Meeting;
however,
simply
attending
the Special
Meeting
without
voting will
not revoke
an earlier
proxy.

To submit a written notice of revocation or other communications about revoking your proxy with respect to your shares of the Company's common stock, or to request a new proxy card, you should contact:

The Great Atlantic & Pacific Tea Company, Inc.
Two Paragon Drive
Montvale, New Jersey 07645
Telephone: (201) 573-9700
Attention: Secretary

If your shares of common stock are held in street name, you should follow the instructions of your bank, brokerage firm or nominee regarding the revocation of proxies. If your bank, brokerage firm or nominee allows you to authorize a proxy by telephone or through the Internet, you may be able to change your vote by submitting a proxy again by telephone or through the Internet.

All shares represented by valid proxies received through this solicitation, and not revoked, will be voted in accordance with your instructions on the proxy card. If you authorize a proxy by telephone or through the Internet, your shares will be voted at the Special Meeting as instructed.

If you sign and return your proxy card for your shares of the Company's common stock without specifying on the proxy card, as to one or more proposals, how you want your shares of the Company's common stock voted, your proxy will be voted (1) FOR Proposal 1, the proposal to amend the Company's charter to increase the number of authorized shares of common stock, if you do not specify a vote FOR or AGAINST that proposal; (2) FOR Proposal 2, the proposal to approve the issuance of the Company's common stock pursuant to a net share settlement of the warrants issued in connection with the Financing, if you do not specify a vote FOR or AGAINST that proposal; (3) FOR Proposal 3, the proposal to approve the issuance of an additional 1,577,569 shares of the Company's common stock pursuant to the share lending agreements, if you do not specify a vote FOR or AGAINST that proposal; (4) FOR Proposal 4, the proposal to approve the adoption of the Company's 2008 Long Term Incentive and Share Award Plan, if you do not specify a vote FOR or AGAINST that proposal; and (5) FOR Proposal 5, the proposal to adjourn or postpone the Special Meeting, if necessary, to solicit additional proxies, if you do not specify a vote FOR or AGAINST that proposal. We intend, with respect to any procedural matters submitted to the stockholders at the Special Meeting, that the shares represented by properly submitted proxies will be voted, or not voted, by and at the discretion of the persons named as proxies on the proxy card.

Effects of Abstentions

Absent specific instructions from the beneficial owner of shares, brokers may not vote shares of the Company's common stock with respect to the proposal to amend the Company's charter to increase the number of authorized shares of common stock, the proposal to approve the issuance of the Company's common stock pursuant to a net share settlement of the warrants issued in connection with the Financing, the proposal to approve the issuance of the Company's common stock pursuant to the share lending agreements, the adoption of the Company's 2008 Long Term Incentive and Share Award Plan, the adjournment or postponement of the Special Meeting or any other matters that may properly come before the Special Meeting.

Proposal 1, the proposal to amend the Company's charter, requires the affirmative vote of two-thirds of the outstanding shares of the Company's common stock. Therefore, an abstention will have the same effect as a vote AGAINST approval of the amendment to the Company's charter.

Because the NYSE treats abstentions as votes cast with respect to (i) Proposal 2, the proposal to approve the issuance of the Company's common stock pursuant to a net share settlement of the warrants issued in connection with the Financing, (ii) Proposal 3, the proposal to approve the issuance of an additional 1,577,569 shares of the Company's common stock pursuant to the share lending agreements and (iii) Proposal 4, the proposal to approve the adoption of the Company's 2008 Long Term Incentive and Share Award Plan, an abstention will have the same effect as a vote AGAINST these proposals.

Because the MGCL does not treat abstentions as votes cast with respect to Proposal 5, the proposal to adjourn or postpone the Special Meeting, if necessary, to solicit additional proxies, an abstention will have no effect on the outcome of the vote on that proposal.

Adjournments and Postponements

Although it is not expected, the Special Meeting may be adjourned or postponed for the purpose of soliciting additional proxies or for any other reason. The MGCL provides that if the Special Meeting is convened on the date for which it was called, any adjournment may be made from time to time to a date not more than 120 days after the original record date without further notice. The Company's bylaws further state that if there is no quorum present at the Special Meeting, the holders of a majority of the outstanding shares of voting stock present in person or represented by proxy at the Special Meeting may adjourn the meeting from time to time, without notice other than an announcement made at the Special Meeting, until the requisite amount of voting stock shall be present. Any signed proxies received by the Company which are otherwise silent on the matter will be voted in favor of an adjournment in these circumstances. Any adjournment of the Special Meeting will allow the Company's stockholders who have already sent in their revocable proxies to revoke them at any time prior to their use.

ACQUISITION OF PATHMARK AND RELATED TRANSACTIONS

The Acquisition and Related Transactions

On March 4, 2007, the Company entered into an Agreement and Plan of Merger (the *Merger Agreement*) providing for the Company's acquisition (the *Acquisition*) of Pathmark Stores, Inc. (*Pathmark*). Also on March 4, 2007, the Company entered into a financing commitment letter with Banc of America Securities LLC (*BAS*), Lehman Brothers Inc. (*Lehman*), and related entities, who committed to provide financing to fund a portion of the cash consideration payable to the Pathmark stockholders in the Acquisition and to finance working capital needs upon consummation of the Acquisition. The financing commitments provided for a \$615.0 million senior secured revolving credit facility (the *ABL Facility*) to finance the working capital of the Company and certain of its subsidiaries (including Pathmark) upon consummation of the merger and (ii) up to \$780.0 million of senior secured loans (the *Bridge Facility*) as bridge or interim financing, which the Company anticipated refinancing with senior secured notes which could have been issued by A&P and/or certain of its subsidiaries.

As the Company previously disclosed on November 5, 2007, the Company determined that selling its shares of Metro Inc. and applying the proceeds of the sale, together with borrowings under a reduced Bridge Facility, should provide a lower anticipated total amount of indebtedness upon closing the Acquisition and lower the Company's anticipated post-Acquisition interest expense. Because the March 4, 2007, financing commitment letter provided that the Company would retain its shares of Metro, Inc., the Company obtained necessary waivers to facilitate this financing structure, subject to the sale of the Metro shares. Also as disclosed, the Company expected that any amounts borrowed under the Bridge Facility to close the Acquisition would be refinanced shortly thereafter.

with the proceeds of an offering of senior secured notes, a convertible debt offering, or a combination thereof.

On November 8, 2007, stockholders of the Company approved the issuance of the Company's common stock in connection with the Acquisition. On November 26, 2007, the Company sold all of its 11,726,645 shares of Metro Inc. for gross proceeds of approximately \$347 million. At the closing of the Acquisition on December 3, 2007, the Company entered into the ABL Facility and the Bridge Facility to provide financing for a portion of the cash consideration in the Acquisition and to provide for working capital.

In mid-December 2007, the Company entered into a number of transactions related to the financing of the Acquisition and refinancing of the Bridge Facility (the *Financing*) including:

the issuance
of \$420
million
aggregate
principal
amount of
senior notes
convertible
into the
Company's
common
stock (the
Notes);

the entry into
convertible
note hedge
and warrant
transactions;
and

the entry into
share lending
agreements
pursuant to
which the
affiliates of
the
underwriters
of the Notes
offering (the
*Share
Borrowers*)
may borrow
and sell from
time to time
shares of the
Company's
common

stock.

The Company determined to pursue an offering of convertible notes based on its understanding of the credit markets at the time of refinancing the Bridge Facility in mid-December 2007 and based on its belief that it could issue convertible notes, despite any potential dilution of the Company's common stock that could occur upon conversion, on terms that would be more favorable to the Company than could be obtained through refinancing the Bridge Facility with an issue of senior secured notes, including lower interest rates, the absence of collateral requirements and relatively fewer covenant restrictions on the Company's ongoing business. At the same time, based on its understanding of the liquidity for the Company's common stock that convertible note investors would require in order for the Company to consummate a convertible note offering and to do so on favorable terms, the Company entered into share lending agreements with affiliates of BAS and Lehman, the underwriters of the convertible notes, so that an adequate amount of shares would be available to support the hedging typically desired by convertible note investors. In order to limit the potential dilution that could occur upon conversion of the convertible notes, the Company entered into the hedge and warrant transactions with affiliates of BAS and Lehman.

The Company is seeking stockholder approval at this time for Proposal 1, the proposal to amend the Company's charter to increase the number of authorized shares of common stock, for Proposal 2, the proposal to approve the issuance of the Company's common stock pursuant to a net share settlement of the warrants issued in connection with the Financing and for Proposal 3, the proposal to approve the issuance of an additional 1,577,569 shares of the Company's common stock pursuant to the share lending agreements because the company had not finally determined the terms of any permanent refinancing of the Bridge Facility until after the shareholder vote approving the Acquisition and after the closing of the Acquisition.

As of the record date, 57,634,195 shares of the Company's common stock were issued and outstanding, 3,516,253 shares were reserved for issuance pursuant to outstanding grants under the Company's equity compensation plans, 12,309,513 shares were reserved for issuance upon exercise of warrants assumed and the rollover warrants issued in connection with the Acquisition, and 3,144,986 shares were reserved for issuance under the share lending agreements, for a total of 76,604,947 shares of the Company's common stock issued or reserved for issuance pursuant to outstanding obligations as of the record date out of the 80,000,000 shares authorized for issuance under the Company's charter.

As described below, the Company has agreed to reserve 11,278,988 shares of its common stock for issuance upon conversion of the Notes and 13,534,786 shares of its common stock in connection with the warrants issued in connection with the Financing. Therefore, as described below, in order to satisfy its obligations under the agreements governing the transactions related to the Financing and to provide the Company with the flexibility to issue shares of its common stock for other appropriate purposes, the Company is requesting that its stockholders approve an amendment to the

Company's charter to increase the number of shares of common stock that the Company is authorized to issue; to approve the issuance of shares of the Company's common stock pursuant to a net share settlement of the warrants; and to approve the issuance of an additional 1,833,250 shares of the Company's common stock for borrowing pursuant to the share lending agreements.

The Notes and Conversion into Shares of Common Stock; Dilution

The following is a description of the terms of the Notes that were issued in December 2007. The Notes were issued under an indenture and supplemental indentures, each of which has been filed with the SEC and is available on the SEC's website at <http://www.sec.gov>. Stockholders and investors are encouraged to read the indenture and supplemental indentures because they, and not this summary, govern the Notes.

The Notes consist of \$165 million aggregate principal amount of 5.125% Convertible Senior Notes due 2011 (the *2011 notes*) and \$255 million aggregate principal amount of 6.75% Convertible Senior Notes due 2012 (the *2012 notes*). The Notes are the Company's general unsecured obligations and rank equally in right of payment with all of the Company's other existing and future obligations that are unsecured and unsubordinated. The Notes are effectively subordinated to all of the Company's existing and future secured debt to the extent of the assets securing such indebtedness and, because the Notes are not guaranteed, are structurally subordinated to the indebtedness and other liabilities of the Company's subsidiaries, including subsidiary guarantees of the Company's ABL credit facility. The 2011 notes mature on June 15, 2011 unless earlier converted or repurchased. The 2012 notes mature on December 15, 2012 unless earlier converted, redeemed or repurchased.

Holders of the Notes may convert their (i) 2011 notes based on a conversion rate of 27.4725 shares of the Company's common stock per \$1,000 principal amount of 2011 notes (equal to an initial conversion price of approximately \$36.40 per share) and (ii) 2012 notes based on a conversion rate of 26.4550 shares of the Company's common stock per \$1,000 principal amount of 2012 notes (equal to an initial conversion price of approximately \$37.80 per share), which the Company will settle as described in the next paragraph, in the following circumstances:

during any
fiscal quarter
commencing
after the fiscal
quarter ending
June 14, 2008
(and only
during any such
fiscal quarter),
if the closing
price of the
Company's
common stock
on at least 20
trading days in
the period of 30
consecutive
trading days
ending on the
last trading day
of the preceding
fiscal quarter is

more than
130% of the
conversion
price on such
last trading day;

if the Company
has called the
2012 notes for
redemption, at
any time prior
to the close of
business one
business day
prior to the
redemption date
for such notes;

upon the
occurrence of
certain
corporate
transactions
such as (i)
distribution to
all or
substantially all
of the
Company's
common stock
holders of
rights or
warrants to
purchase
common stock
at less than the
then current
market price;
(ii) distribution
to all or
substantially all
of the
Company's
common stock
holders of
assets, debt
securities or
rights to
purchase the
Company's
common stock

which distribution has a per-share value exceeding 10% of the then-current market price of the Company's common stock; or (iii) certain fundamental change transactions, such as a change of control of the Company;

during the five trading day period following any five consecutive trading day period in which the trading price of the notes for each day of such period was less than 98% of the closing price of the Company's common stock multiplied by the then-applicable conversion rate on each day in the five consecutive trading day period; or

at any time on or after March 15, 2011 for the 2011 notes or September 15, 2012 for the

2012 notes until
the close of
business on the
business day
preceding the
respective
stated
maturities.

The Notes provide for anti-dilution adjustments of the conversion rates in the event of stock or other dividends or distributions on the Company's common stock; distribution of rights, warrants or

options to all or substantially all holders of the Company's common stock and payments in connection with any tender offer or exchange offer for the Company's common stock.

Upon conversion of any Notes, the Company has the right to deliver shares of common stock, cash or a combination of cash and shares of common stock. If certain fundamental change transactions, such as a change of control of the Company, occur, conversion rate for any Notes converted in connection with those fundamental changes will be increased by a number of additional shares of common stock specified in the indenture and supplemental indentures governing the Notes.

If all of the Notes were converted into shares of the Company's common stock, the Company would issue 11,278,988 shares of its common stock, or approximately 19.6% of the number of shares of the Company's common stock that were issued and outstanding as of the record date, which would lead to a decrease, or dilution, of the percentage of the Company's common stock held by stockholders prior to any such conversion. Issuing a significant number of shares of common stock upon conversion could lead to a decrease in the market price of the Company's common stock, depending on the market's perception of the relative value of discharging the corresponding debt obligation represented by the Notes being converted. The Company is not able to predict the net effect of any such conversion on the market price of the Company's common stock. Additionally, the Notes may only be converted under certain circumstances described above and because the conversion prices of the Notes are significantly higher than the current market price of the Company's common stock, the Company is not able to predict when or if the market price of the Company's common stock may increase to a level that would result in conversion by the Noteholders. Also, any such conversion would remain subject to the Company's right to settle the conversion by delivery of shares of common stock, cash or a combination of cash and shares of common stock and, in order to limit the potential dilution that could occur upon conversion of the convertible notes, the Company entered into the hedge and warrant transactions.

AMENDMENT OF THE COMPANY'S CHARTER TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK (PROPOSAL 1)

The Company's stockholders are being asked to consider and vote on a proposal to approve an amendment to the Company's charter in the form attached to this proxy statement as Appendix A and incorporated herein by reference to increase the total number of shares of common stock which the Company has authority to issue from 80,000,000 shares to 160,000,000 shares. As described above, as of the record date a total of 76,604,947 shares of the Company's common stock were issued or reserved for issuance pursuant to outstanding obligations. If Proposals 1, 2, 3 and 4 are all approved, the Company plans to reserve an additional 11,278,988 shares of its common stock for issuance upon conversion of the Notes, 13,534,786 shares of its common stock in connection with the warrants issued in connection with the Financing and 4,750,000 shares of its common stock for issuance under the Company's 2008 Long Term Incentive and Share Award Plan, after which a total of 106,168,721 shares of the Company's common stock will have been issued or reserved for issuance.

The proposal to amend the Company's charter requires the affirmative vote of two-thirds of the outstanding shares of the Company's common stock. Therefore, a stockholder's failure to vote, a broker nonvote or an abstention will have the same effect as a vote AGAINST approval of the amendment to the Company's charter.

The Company's board of directors deems it advisable and in the best interests of the Company to increase the number of authorized shares of common stock in order to meet its current share reservation obligations and to ensure that there is a sufficient number of authorized shares available to provide the Company with flexibility to issue common stock for appropriate purposes in the future, including any possible equity financing transactions.

Additional authorized shares of common stock could be used in connection with an arrangement, such as a stockholder rights plan, that could have the effect of hindering or delaying a third party offer to acquire the Company or its common stock at a premium to market prices. However, the Company has no plans or proposals to adopt provisions or enter into arrangements that may have material anti-takeover consequences. The Company has no plans,

proposals, or

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arrangements at this time, written or otherwise, to issue any of the additional authorized shares of common stock that are the subject of this proposal, other than as disclosed in this proxy statement in connection with a net share settlement under the warrants issued in connection with the financing, pursuant to the share lending agreements and potential future grants under the Company's 1998 Long Term Incentive Plan and 2008 Long Term Incentive Plan.

The Company has agreed, pursuant to the warrants described below, to seek stockholder approval to increase the number of authorized shares of common stock. If the Company's stockholders do not approve the proposal to amend the Company's charter to increase the number of authorized shares at or prior to its second annual meeting of stockholders following December 2007, then the number of shares of common stock subject to the warrants will automatically increase by 10% and the counterparties to the warrants will have the right to terminate the warrants. The number of shares of the Company's common stock subject to the warrants is 11,278,988, so an increase of 10% would result in 12,406,887 shares being subject to the warrants. If the Company's stockholders approve such proposal and additional shares of the Company's common stock are issued, then the market price of the Company's common stock may be adversely affected.

The Company's board of directors unanimously recommends that the Company's stockholders vote FOR the proposal to approve the amendment to the Company's charter.

APPROVAL OF THE COMPANY'S SHARE ISSUANCE PURSUANT TO A NET SHARE SETTLEMENT OF THE WARRANTS (PROPOSAL 2)

Convertible Note Hedge and Warrant Transactions

As described above, in connection with the Financing, in December 2007, the Company entered into convertible note hedge and warrant transactions designed to reduce the Company's exposure to potential dilution of its common stock upon any conversion of the Notes. The convertible note hedge transactions allow the Company to purchase from the counterparties thereto shares of the Company's common stock in connection with a conversion of the Notes, whereas the warrant transactions allow the counterparties thereto to require the Company to sell to them shares of the Company's common stock.

The warrants, as amended (the *Warrants*), provide that the default settlement method is cash settlement and limit the Company's ability to select a settlement method other than cash settlement until the Company has (a) (i) obtained stockholder approval to the extent required by the NYSE Rules to allow the issuance of the Company's common stock pursuant to a net share settlement of the Warrants or (ii) reasonably determined that such stockholder approval is not required pursuant to the NYSE Rules and (b) authorized and reserved a number of shares of common stock equal to the product of 1.2 multiplied by the aggregate number of shares, 11,278,988, of the Company's common stock issuable upon exercise of the Warrants, the product of which is 13,534,786 shares.

Subject to the adjustments described in the Warrants, the aggregate number of shares of the Company's common stock issuable upon exercise of the Warrants is 11,278,988. However, any settlement of the Warrants through the issuance of common stock would be required by the terms of the Warrants to be made by net share settlement. Therefore, the actual number of shares of the Company's common stock issuable pursuant to a net share settlement of the Warrants would equal the product of (i) the number of Warrants exercised and (ii) (A) the excess of the value weighted average price of the Company's common stock (as determined pursuant to the terms of the Warrants) over the strike price of such Warrants divided by (B) such value weighted average price. The Warrants have strike prices of \$46.20 per warrant for the Warrants relating to the 2011 notes and \$49.00 per warrant for the Warrants relating to the 2012 notes.

As an example of net share settlement, if 1000 Warrants relating to the 2011 notes are exercised in 2011 when they first become exercisable and the value weighted average price of the Company's common stock at that time is \$30.00, then the number of shares of the Company's common stock issuable pursuant to a net share settlement would be equal the product of (i) the number of Warrants exercised (1000) and (ii) (A) the excess of the value weighted average price

of the Company's common stock (\$30.00) over the strike price of such Warrants (\$46.20), in which case the

excess is zero because the value weighted average price is less than the strike price, divided by (B) such value weighted average price (\$30.00). In comparison, if the value weighted average price of the Company's common stock at that time were (\$50.00), then the Company would issue 76 shares of common stock upon net share settlement in this example. As illustrated in this example, the Company could issue common stock pursuant to net share settlement of the Warrants, if the value weighted average price of the Company's common stock at the time is greater than the strike price of the relevant Warrants, which could cause the price of the Company's common stock to be less than it might otherwise be. As discussed above under "Acquisition of Pathmark and Related Transactions" The Acquisition and Related Transactions, the Company determined that by offering the Notes, the Company could obtain terms that would be more favorable to the Company, and to limit the potential dilution that could occur upon conversion of the convertible notes, the Company entered into the hedge and warrant transactions.

Stockholder Approval of Share Issuance in Connection with the Warrants

The Company's stockholders are being asked to consider and vote on a proposal to approve the issuance of the Company's common stock pursuant to a net share settlement of the Warrants.

Although not required by the MGCL, the Company believes that stockholder approval of the issuance of the Company's common stock pursuant to a net share settlement of the Warrants is required by the NYSE Rules. Such rules require the affirmative vote of the holders of a majority of shares of the Company's common stock cast on such proposal, in person or by proxy, *provided* that the total votes cast on the proposal represent at least a majority of the outstanding shares of the Company's common stock entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, the failure of a stockholder to vote or a broker nonvote will not affect the outcome of the vote on the proposal, assuming a majority of the outstanding shares vote on the proposal. Because the NYSE treats abstentions as votes cast with respect to this stock issuance proposal, an abstention will have the same effect as a vote **AGAINST** this proposal. Abstentions and broker nonvotes will be counted for the purpose of determining whether a quorum exists at the Special Meeting.

The Company's board of directors deems it advisable and in the best interests of the Company for the Company's stockholders to approve the issuance of shares of the Company's common stock pursuant to a net share settlement of the Warrants to provide the Company with flexibility upon conversion of the Notes and under other circumstances in which the Warrants may be exercised.

The Warrants require the Company to use commercially reasonable efforts to obtain stockholder approval to the extent required by the NYSE Rules at a meeting of the Company's stockholders to be held not later than August 15, 2008 to allow the Company to issue shares of the Company's common stock pursuant to a net share settlement of the Warrants. If the Company's stockholders do not approve the proposal to approve the issuance of shares of the Company's common stock pursuant to a net share settlement of the Warrants, the Warrants will continue in effect, but the Company will not be able to use the net share settlement method upon exercise of the Warrants and will instead be required to use cash settlement. If the Company's stockholders approve such proposal and shares of the Company's common stock are issued pursuant to a net share settlement of the Warrants, then the market price of the Company's common stock may be adversely affected.

The Company's board of directors unanimously recommends that stockholders vote **FOR** the proposal to approve the issuance of shares of the Company's common stock pursuant to a net share settlement of the Warrants.

APPROVAL OF THE ISSUANCE OF AN ADDITIONAL 1,577,569 SHARES OF THE COMPANY'S COMMON STOCK PURSUANT TO THE SHARE LENDING AGREEMENTS (PROPOSAL 3)

Share Lending Agreements and Common Stock Offering

As described above, in connection with the Financing, in December 2007, the Company entered into share lending agreements, as amended (the *Share Lending Agreements*), pursuant to which the Company agreed to issue and lend up to 11,278,988 shares of common stock, subject to certain adjustments, to the Share Borrowers. Under the Share Lending Agreements, the Share Borrowers have offered and sold and may offer and sell the borrowed shares in registered public offerings and have used and may use the short position resulting from the sale of such shares to facilitate the establishment of hedge positions by investors in the Notes. Borrowed shares may also be used by the Share Borrowers for other purposes, including in connection with hedging the convertible note hedge and warrant transactions described above. The Share Borrowers have received and will receive all of the proceeds from the sale of the borrowed shares. The Company has not received and will not receive any of the proceeds from such sales, but has received and will receive a nominal lending fee from the Share Borrowers. Upon expiration of the loan availability period under the Share Lending Agreements, the Share Borrowers are required to return all shares borrowed thereunder, unless the Company agrees to settle in cash.

The Share Lending Agreements limit the number of shares of common stock that the Share Borrowers may borrow to an aggregate of 9,701,419 shares until such time as (i) the Company obtains stockholder approval to the extent required by the NYSE Rules to allow it to issue up to an aggregate of 11,278,988 shares of common stock pursuant to the Share Lending Agreements or (ii) the Company reasonably determines that such stockholder approval is not required pursuant to the NYSE Rules, or such lesser number that can be issued under the Share Lending Agreements without such stockholder approval.

As discussed above under *Acquisition of Pathmark and Related Transactions* The Acquisition and Related Transactions, the Company determined that by offering the Notes, which are convertible senior notes, in connection with the Financing, compared to an offering of senior secured notes, the Company could obtain terms that would be more favorable to the Company, despite any potential dilution of the Company's common stock upon conversion, including lower interest rates, the absence of collateral requirements and relatively fewer covenant restrictions on the Company's ongoing business. Also, based on the Company's understanding of the liquidity for the Company's common stock that convertible note investors would require in order for the Company to consummate a convertible note offering and to do so on favorable terms, the Company determined to enter into share lending agreements with affiliates of the underwriters of the convertible notes so that an adequate amount of shares would be available to support the hedging typically desired by convertible note investors. In order to limit the potential dilution that could occur upon conversion of the convertible notes, the Company entered into the hedge and warrant transactions.

There are potential risks associated with the Share Lending Agreements including the following. The issuance and sales of substantial amounts of common stock or other equity related securities including sales pursuant to the Share Lending Agreements, or the perception that such issuances and sales may occur, could adversely affect the market price of the Company's common stock. Additionally, the existence of the Share Lending Agreements and short positions established in connection with the sale of the Notes, as well as transactions by which investors in the Notes may hedge their investments in such Notes through short sales or privately negotiated derivative transactions, or other short sales of the Company's common stock could have the effect of causing the market price of the Company's common stock to be lower over the term of the Share Lending Agreements than it would have been had the Company not entered into the Share Lending Agreements.

Stockholder Approval of Share Issuance in Connection with the Share Lending Agreements

The Company's stockholders are being asked to consider and vote on a proposal to approve the issuance of the maximum number of shares of the Company's common stock that may be borrowed under the Share Lending Agreements.

Up to 9,701,419 shares may be issued under the Share Lending Agreements without stockholder approval. Although not required by the MGCL, the Company believes that stockholder approval of the issuance of an additional 1,577,569 shares of the Company's common stock pursuant to the Share Lending Agreements is required by the NYSE Rules. Such rules require the affirmative vote of the holders of a majority of shares of the Company's common stock cast on such proposal, in person or by proxy, *provided* that the total votes cast on the proposal represent at least a majority of the outstanding shares of the Company's common stock entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, the failure of a stockholder to vote or a broker nonvote will not affect the outcome of the vote on the proposal, assuming a majority of the outstanding shares vote on the proposal. Because the NYSE treats abstentions as votes cast with respect to this stock issuance proposal, an abstention will have the same effect as a vote **AGAINST** this proposal. Abstentions and broker nonvotes will be counted for the purpose of determining whether a quorum exists at the Special Meeting.

The Company's board of directors deems it advisable and in the best interests of the Company for the Company's stockholders to approve the issuance of the maximum number of shares of the Company's common stock that may be borrowed under the Share Lending Agreements.

The Share Lending Agreements require the Company to use commercially reasonable efforts to obtain stockholder approval to the extent required by the NYSE Rules at a meeting of the Company's stockholders to be held not later than August 15, 2008 to allow the Company to issue up to an aggregate of 11,278,988 shares of common stock pursuant to the Share Lending Agreements. If the Company's stockholders do not approve the proposal to approve the issuance of an additional 1,577,569 shares of the Company's common stock pursuant to the Share Lending Agreements, the Share Lending Agreements will continue in effect, but the number of shares that may be borrowed under the Share Lending Agreements will continue to be limited to an aggregate of 9,701,419 shares until such stockholder approval is obtained or determined to be unnecessary. If the Company's stockholders approve such proposal and additional shares of the Company's common stock are issued pursuant to the Share Lending Agreements, then the market price of the Company's common stock may be adversely affected. In addition, if the Share Borrowers use the short position resulting from the sale of such shares to facilitate the establishment of hedge positions by investors in the Notes, then the market price of the Company's common stock may be adversely affected.

The Company's board of directors unanimously recommends that stockholders vote **FOR** the proposal to approve the issuance of shares of the Company's common stock pursuant to the Share Lending Agreements.

APPROVAL OF THE ADOPTION OF THE COMPANY'S 2008 LONG TERM INCENTIVE AND SHARE AWARD PLAN (PROPOSAL 4)

The Company's stockholders are being asked to consider and vote on a proposal to approve the adoption of the Company's 2008 Long Term Incentive and Share Award Plan (the *2008 Plan*). The 2008 Plan is intended to replace the expiring 1998 Plan. The board of directors and management believe that the 2008 Plan, like the 1998 Plan, will help attract, retain and motivate employees and promote long-term growth and profitability by further aligning employee and stockholder interests. The board of directors, therefore, unanimously recommends that stockholders vote **FOR** the proposal to approve the 2008 Plan.

The adoption of this proposal requires the affirmative vote of the holders of a majority of shares of the Company's common stock cast on the proposal, in person or by proxy, *provided* that the total votes cast on the proposal represent at least a majority of the outstanding shares of the Company's common stock entitled to vote on the proposal. Because

approval is based on the affirmative vote of a majority of votes cast, the failure of a stockholder to vote or a broker nonvote will not affect the outcome of the vote on the proposal, assuming a majority of the outstanding

shares vote on the proposal. Because the NYSE treats abstentions as votes cast with respect to this proposal, an abstention will have the same effect as a vote AGAINST this proposal. Abstentions and broker nonvotes will be counted for the purpose of determining whether a quorum exists at the Special Meeting.

The 1998 Plan was approved by stockholders upon its inception and was most recently approved, as amended, by the stockholders on July 13, 2006. The 1998 Plan will by its terms expire on July 14, 2008. The 2008 Plan provides for the same types of awards and is otherwise similar to the 1998 Plan and is intended to replace the 1998 Plan. The 2008 Plan has been adopted by the Company's board of directors. If the shareholders of the Company do not approve the 2008 Plan as proposed in this proxy statement, the 2008 Plan will not be used by the Company. Upon approval by the stockholders of the 2008 Plan, no further award grants will be made under the existing 1998 Plan. The status of the 1998 Plan at May 23, 2008 was as follows:

Stock Options

Shares underlying outstanding options	1,637,386 shares
Weighted-average exercise price	\$ 24.42 per share
Average term to expiration	4.0 years

Full Value Awards

Outstanding unvested time-based restricted and performance shares	1,878,867 shares
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Shares available for grant	3,508,253 shares
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A summary of the principal features of the 2008 Plan is provided below and is qualified in its entirety by reference to the actual 2008 Plan, a copy of which is included as Appendix B. Additionally, information regarding compensation of directors and executive officers is provided in Appendix C, which is attached to and forms part of this proxy statement.

General. The 2008 Plan provides for the grant of Awards in the form of Stock Options, Stock Appreciation Rights (SARs), Restricted Shares, Restricted Share Units, Performance Shares, Performance Units, Dividend Equivalents, Other Share-Based Awards or any combination thereof. The total number of shares of common stock of the Company available for grant under the 2008 Plan is 4,750,000 shares as of the effective date of the 2008 Plan (June 26, 2008), subject to increases described in Adjustments below. Shares may consist, in whole or in part, of authorized and unissued shares, or shares acquired by the Company in the open market or in private transactions.

The 2008 Plan has been designed so that stock options, SARs and certain performance-based Awards under the 2008 Plan may comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Compliance with Section 162(m) of the Code enables awards under the 2008 Plan to qualify as performance-based compensation that is exempt from the provision of Section 162(m) disallowing a tax deduction to public companies for annual compensation in excess of \$1,000,000 paid to the Company's CEO and certain other highly compensated executives at fiscal year end.

Administration. The 2008 Plan is administered by the Human Resources & Compensation Committee of the board of directors, or such other committee designated by the board of directors (the Committee), which consists of two or more directors, each of whom is a non-employee director to the extent applicable under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and an outside director to the extent applicable under Section 162(m) of the Code; provided, however, that a failure to qualify as a non-employee director or outside director shall not in itself invalidate any Award made under the 2008 Plan. The Committee may make all decisions and determinations regarding the 2008 Plan as it may deem necessary or advisable. Subject to the terms of the 2008 Plan, the Committee is authorized to, among other things, determine the type(s) of Awards, the number of shares to which an Award may relate and the terms and conditions of the Awards; adopt or revise any rules and regulations as it

may deem advisable to administer the 2008 Plan; accelerate the exercisability or vesting of any Award in cases of death, disability, retirement or change-in-control; and make all other decisions and determinations that may be required under the 2008 Plan. The Committee is currently comprised of Bobbie Gaunt, Chair, John Barline, Ed Lewis and Maureen Tart-Bezer.

Eligibility. The Committee has the discretion to grant Awards to any employee of the Company, or a subsidiary or an affiliate, including any employee who is a member of the board of directors. It is, however, the Committee's continuing intent that only management employees at or above store manager level are eligible. As of the date of this proxy statement, there are approximately 276 eligible participants.

Number of Shares of Common Stock Available under the 2008 Plan. The number of shares of common stock reserved for grant under the 2008 Plan is 4,750,000 shares, as of the effective date of the 2008 Plan (June 26, 2008) and as may be increased as described under Adjustments below. The Committee may not grant an Award under the 2008 Plan if the number of shares to which such Award relates, when added to the number of shares previously issued under the 2008 Plan, exceeds the total number of shares available for grant. Shares awarded under the 2008 Plan may be authorized and unissued shares.

Awards, Types and Applicable Provisions. Stock options may include nonstatutory stock options (*NSOs*) as well as incentive stock options (*ISOs*) intended to qualify for special tax treatment. The term of a stock option cannot exceed 10 years, and the exercise price of a stock option must be equal to or greater than the fair market value of the common stock on the date of grant.

Except for certain anti-dilution adjustments, the 2008 Plan prohibits (i) amendments to lower the exercise price of outstanding stock options or SARs or (ii) exchanges of stock options or SARs for other stock options or SARs with lower exercise prices or for cash or other awards.

NSO grants are governed by Section 83 of the Code. Generally, no federal income tax is payable by a participant upon the grant of an NSO. Under current tax law, if a participant exercises an NSO, he or she will be taxed on the difference between the fair market value of the common stock on the exercise date and the option exercise price. The Company will be entitled to a corresponding deduction on its income tax return upon the exercise of an NSO.

ISO grants are governed by Section 422 of the Code. Generally no federal income tax is payable by a participant upon the exercise of an ISO (except alternative minimum tax may be payable upon exercise). If the shares of common stock acquired upon exercise of an ISO are sold or exchanged more than one year after the date of exercise and more than two years after the date of grant of the option, any gain or loss will be long-term capital gain or loss. If shares of common stock acquired upon exercise of an ISO are disposed of prior to the expiration of these one-year or two-year holding periods (a *Disqualifying Disposition*), the participant will recognize ordinary income at the time of disposition, and the Company will generally be entitled to a deduction, in an amount equal to the excess of the fair market value of the shares of common stock at the date of exercise over the exercise price. Any additional gain will be treated as capital gain, long-term or short-term, depending on how long the shares of common stock have been held. Where shares of common stock are sold or exchanged in a Disqualifying Disposition (other than certain related party transactions) for an amount less than their fair market value at the date of exercise, any ordinary income recognized in connection with the Disqualifying Disposition will be limited to the amount of gain, if any, recognized in the sale or exchange, and any loss will be a long-term or short-term capital loss, depending on how long the shares of common stock have been held.

SARs entitle the participant to receive any appreciation in the value of the underlying stock from the Company, either in shares of common stock or in cash or a combination of the two, with the Committee having the discretion to determine the form in which such payment will be made. The amount payable on exercise of a SAR is measured by the difference between the fair market value of the underlying stock at exercise and the exercise price (which may not be less than the fair market value of the common stock on the date of grant). The term of an SAR cannot exceed 10 years. SARs may, but need not, be granted in conjunction with options. Upon exercise of a SAR granted in tandem with an option, the corresponding portion of the related option must be surrendered and cannot thereafter be exercised. The amount payable upon exercise of a SAR will constitute compensation income to the participant at the time of exercise, and the Company will be entitled to a corresponding deduction.

Restricted Shares and Performance Shares entitle the participant to ownership of shares of the Company's common stock subject to any performance conditions or other restrictions including

installment or vesting conditions. A participant who receives Restricted Shares or Performance Shares will generally recognize compensation income at the time they vest based on the then fair market value of the shares, unless the participant instead elects to be taxed at the time of the award. The Company will be entitled to a corresponding deduction.

Restricted Share Units and Performance Units entitle the participant to receive either shares of common stock or cash or a combination as the Committee shall determine upon attainment of the performance objectives or satisfaction of other restrictions or vesting criteria.

Dividend equivalents and Other Share-Based Awards may be granted to the participant separately or in conjunction with the foregoing, *provided* they are denominated or payable consistent with the purpose of the 2008 Plan, including unrestricted shares awarded purely as a bonus and cash awards as an element of or supplement to any other Award under the 2008 Plan.

A participant who receives Restricted Share Units, Performance Units, Dividend Equivalents or other Share-Based Awards will generally recognize compensation income in respect of the amounts payable under the award at the time of payment, and the Company will be entitled to a corresponding deduction.

The foregoing description concerning U.S. federal income tax consequences related to Awards is a general summary and intended solely as information for stockholders, not as tax guidance.

If the Committee determines that a Performance Share, Performance Unit or other Award (other than an Option or SAR) should qualify as performance-based compensation for purposes of Code Section 162(m), the grant, vesting, exercise and/or settlement of such Award must be contingent upon achievement of pre-established goals. Further, while performance objectives may vary among participants, they shall be based upon one or more of the following performance criteria:

total stockholder return, earnings, earnings per share, operating income, net income, pro forma net income, return on stockholders' equity, return on invested capital, return on designated assets, net asset value, economic value added, EBITDA, share price, sales, revenues, expenses, operating profit margin, operating cash flow, cash flow per share, net profit margin, and achievement of synergies.

The benefits to be received or allocated under the 2008 Plan are not determinable.

Limitations on Grants. The maximum number of shares of common stock with respect to which stock options or SARs may be granted during any calendar year to any participant under the 2008 Plan shall be 500,000 shares. The maximum number of shares of common stock that may be granted during any calendar year to any participant in connection with stock-based awards other than stock options and SARs intended to qualify as performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code shall be limited to 750,000 shares or the equivalent. The maximum amount payable upon settlement of cash-based awards intended to qualify as performance-based compensation within the meaning of Section 162(m)(4)(C) of the Internal Revenue Code shall be limited to \$1,000,000.

Transferability. Unless otherwise expressly indicated by the Committee, Awards are not transferable except by will or the laws of descent and distribution or beneficiary designation and shall be exercisable during the lifetime of the holder only by such holder or his/her guardian or legal representative. Under no circumstances will an Award be transferable for value or consideration.

Adjustments. In the event that a dividend in shares, recapitalization, share split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, extraordinary dividend, or other similar corporate transaction or event affects the shares, such that an adjustment is appropriate in order to prevent dilution or

enlargement of the rights of Award holders, the Committee shall adjust the aggregate number and kind of shares reserved for issuance under the 2008 Plan, the number and kind of shares covered by each outstanding award, and the amounts to be paid by Award holders or the Company on any outstanding Award, or provide for a distribution of cash or property. No such adjustment may increase the aggregate value of any outstanding award.

If any Awards under the 2008 Plan or 1998 Plan are forfeited, canceled, terminated, exchanged, surrendered, applied to satisfy withholding obligations or terminated for any other reason prior to exercise or without a distribution of shares or settled in cash, then the underlying shares of common stock again become available for awards under the 2008 Plan.

Change of Control. In the event of a Change of Control (as defined in the 2008 Plan), unless otherwise provided by the Committee at the time of grant, all outstanding Awards pursuant to which a holder may have rights the exercise of which is restricted or limited shall become fully exercisable, all restrictions or limitations on outstanding Awards shall lapse, and all performance criteria and other conditions shall be deemed to be achieved or fulfilled and shall be waived by the Company.

Withholding Taxes. The Company may withhold, or require a participant to remit to the Company, an amount sufficient to satisfy any federal, state, local or foreign withholding tax requirements associated with Awards under the 2008 Plan.

Amendment and Termination. No Awards may be granted under the 2008 Plan subsequent to June 26, 2018. The Company's board of directors may terminate the 2008 Plan at an earlier date, or amend the 2008 Plan at any time. However, the Company must obtain stockholder approval for any 2008 Plan amendment to the extent required by applicable stock exchange rules or as required for the 2008 Plan to satisfy the requirements of Section 162(m) or 422 of the Code. In addition, the award holder's written consent is required for any amendment or termination of the 2008 Plan which will adversely affect any previously granted award.

Minimum Vesting Provisions. In the case of an Award in the form of Restricted Shares, Restricted Share Units or similar Awards, at least three years must elapse before the delivery or payment of shares of common stock or other property, except in the case of (a) termination of employment due to death, disability or retirement, (b) an Award that the Committee determines is performance based, in which case at least one year must elapse, (c) an Award to a director who is not an employee or (d) a change-in-control (pursuant to the terms of the 2008 Plan). Notwithstanding anything to the contrary contained in the 2008 Plan, a maximum amount of 10% of the shares reserved under the 2008 Plan (475,000 shares of common stock) may be delivered under the 2008 Plan pursuant to this paragraph without giving effect to the restrictions set forth above.

The Company's board of directors unanimously recommends that the Company's stockholders vote FOR the proposal to approve the adoption of the Company's 2008 Long Term Incentive and Share Award Plan.

**APPROVAL OF THE ADJOURNMENT OR POSTPONEMENT OF THE SPECIAL MEETING
(PROPOSAL 5)**

The Company's stockholders are being asked to consider and vote on a proposal to adjourn or postpone the Special Meeting, if necessary, to solicit additional proxies. The adoption of the proposal to adjourn or postpone the Special Meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the votes cast by the holders of the Company's common stock at the Special Meeting, regardless of whether a quorum is present. Therefore, a stockholder's failure to vote, a broker nonvote or an abstention will have no effect on the outcome of the vote on this proposal. The Company's board of directors unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary, to solicit additional proxies.

BENEFICIAL OWNERSHIP OF SECURITIES**Beneficial Ownership of More Than 5% of the Company's Common Stock**

Except as set forth below, as of May 27, 2008, no person beneficially owned, to the knowledge of the Company, more than 5% of the outstanding shares of the Company's common stock.

Name and Address of Beneficial Owner	Total Beneficial Ownership	Amount and Nature of Beneficial Ownership(1)		% of Class
		Sole Voting/Investment Power	Shared Voting/Investment Power	
Christian W.E. Haub(2) 2 Paragon Drive Montvale, NJ 07645	22,661,538	666,167 (3)	21,995,871 (4)	39.3%
Erivan Karl Haub(2) Wissollstrasse 5-43 45478 Mülheim an der Ruhr, Germany	22,155,471	160,100	21,995,371	38.4%
Karl-Erivan Warder Haub(2) Wissollstrasse 5-43 45478 Mülheim an der Ruhr, Germany	21,995,371	0	21,995,371	38.2%
Georg Rudolf Otto Haub(2) Wissollstrasse 5-43 45478 Mülheim an der Ruhr, Germany	21,995,371	0	21,995,371	38.2%
Tengelmann Warenhandelsgesellschaft KG(2) Wissollstrasse 5-43 45478 Mülheim an der Ruhr, Germany	21,995,371	0	21,995,371	38.2%
FMR LLC(5) 82 Devonshire Street Boston, MA 02109	5,336,543	0	5,336,543	9.3%
Satellite Asset Management, L.P.(6) 623 Fifth Avenue, 19th Floor New York, NY 10022	3,601,408	0	3,601,408	6.2%
Prentice Capital Management LP(7) 623 Fifth Avenue, 32nd Floor New York, NY 10022	3,002,821	0	3,002,821	5.2%

- (1) For purposes of this table, a person or a group of persons is deemed to have beneficial ownership of any shares which such person has the right to acquire as of July 26, 2008 (60 days after May 27, 2008). For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any shares which such person or group of persons has the right to acquire within 60 days after such date are deemed to be outstanding, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
- (2) The Company obtained information regarding Tengelmann Warenhandelsgesellschaft KG (*Tengelmann*), Erivan Karl Haub (*Erivan*), Karl-Erivan Warder Haub (*Karl*), Christian W.E. Haub (*Christian*) and Georg Rudolf Otto Haub (*Georg*) from such persons, and from a Schedule 13D filed with the SEC on December 11, 2007. Tengelmann is engaged in general retail marketing. It owns, operates and has investments in, through affiliated companies and subsidiaries, several chains of stores, which principally sell grocery

and department store items throughout the Federal Republic of Germany, other European countries and the United States. The general partners of Tengelmann are Erivan and Erivan's three sons, Karl, Christian and Georg. Erivan owns a six percent (6%) partnership interest in Tengelmann; the rest is divided equally among Karl, Christian and Georg.

- (3) Includes options to purchase 459,511 shares of common stock, all of which are exercisable within sixty (60) days of May 27, 2008.
- (4) Includes 500 shares of common stock held by the wife of Christian W.E. Haub and the 21,995,371 shares of common stock that are held by Tengelmann.

- (5) This information has been obtained from a Schedule 13G filed with the SEC on January 10, 2008 by FMR LLC, with respect to 5,336,543 shares. According to the Schedule 13G, (i) Fidelity Management & Research Company (*Fidelity*), a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 1,724,419 shares of common stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940; (ii)

Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 1,724,419 shares; (iii) members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC; the Johnson family group and all other Series B shareholders have entered into a shareholders voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B

voting
common
shares; and,
accordingly,
through their
ownership of
voting
common
shares and the
execution of
the
shareholders
voting
agreement,
members of
the Johnson
family may be
deemed to
form a
controlling
group with
respect to
FMR LLC;
neither FMR
LLC nor
Edward C.
Johnson 3d,
has the sole
power to vote
or direct the
voting of the
shares owned
directly by the
Fidelity Funds,
which power
resides with
the Funds
Boards of
Trustees;
Fidelity carries
out the voting
of the shares
under written
guidelines
established by
the Funds
Boards of
Trustees; (iv)
Pyramis
Global
Advisors, LLC

(*PGALLC*), an indirect wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 928,774 shares; (v) Edward C. Johnson 3d and FMR LLC, through its control of *PGALLC*, each has sole dispositive power over 928,774 shares and sole power to vote or to direct the voting of 928,774 shares of Common Stock owned by the institutional accounts or funds advised by *PGALLC*; (vi) Pyramis Global Advisors Trust Company (*PGATC*), an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6)

of the
Exchange Act,
is the
beneficial
owner of
1,470,960
shares as a
result of its
serving as
investment
manager of
institutional
accounts
owning such
shares; (vii)
Edward C.
Johnson 3d
and FMR
LLC, through
its control of
Pyramis
Global
Advisors Trust
Company,
each has sole
dispositive
power over
1,470,960
shares and sole
power to vote
or to direct the
voting of
1,333,760
shares owned
by the
institutional
accounts
managed by
PGATC; (viii)
Fidelity
International
Limited (*FIL*),
and various
foreign-based
subsidiaries
provide
investment
advisory and
management
services to a
number of

non-U.S.
investment
companies and
certain
institutional
investors and
is the
beneficial
owner of
1,212,390
shares; (ix)
FMR LLC and
FIL are of the
view that they
are not acting
as a group for
purposes of
Section 13(d)
under the
Exchange Act
and that they
are not
otherwise
required to
attribute to
each other the
beneficial
ownership of
securities
beneficially
owned by the
other
corporation
within the
meaning of
Rule 13d-3
promulgated
under the
Exchange Act;
however, FMR
LLC is filed
the Schedule
13G on a
voluntary basis
as if all of the
shares are
beneficially
owned by
FMR LLC and
FIL on a joint
basis; (x) FIL

has sole
dispositive
power over
1,212,390
shares owned
by the
International
Funds. FIL has
sole power to
vote or direct
the voting of
1,135,878
shares and no
power to vote
or direct the
voting of
76,512 shares
owned by the
International
Funds.

- (6) This
information
has been
obtained from
a Schedule
13G filed with
the SEC on
February 13,
2008 by
Satellite Asset
Management,
L.P. (*Satellite
Asset
Management*)
and Satellite
Fund
Management
LLC (*Satellite
Fund
Management*).
According to
the Schedule
13G, (i) the
Schedule 13G
relates to
shares of the
Company's
common stock
held by certain
funds and

accounts (the
Satellite
Funds) over
which Satellite
Asset
Management
has
discretionary
investment
trading
authority; (ii)
the general
partner of
Satellite Asset
Management
is Satellite
Fund
Management,
Satellite Fund
Management s
Executive
Committee
makes
investment
decisions on
behalf of the
Satellite Funds
and investment
decisions
made by such
Executive
Committee,
when
necessary, are
made through
approval of a
majority of the
Executive
Committee
members; (iii)
Satellite Asset
Management
and Satellite
Fund
Management
declare that the
Schedule 13G
shall not be
construed as
an admission
that each is the

beneficial
owner of any
securities
covered by the
Schedule 13G;
and (iv)
Satellite Asset
Management
and

Satellite Fund
Management
have the
power to direct
the receipt of
dividends
from, or
proceeds from
the sale of, the
securities held
for the
accounts of the
Satellite
Funds.

- (7) This
information
has been
obtained from
a Schedule
13G filed with
the SEC on
February 26,
2008 by
Prentice
Capital
Management
LP, a
Delaware
limited
partnership
(*Prentice
Capital
Management*),
and Michael
Zimmerman, a
United States
citizen, with
respect to
3,002,821
shares.
According to
the Schedule
13G, Prentice
Capital
Management
serves as
investment
manager to a
number of
investment

funds
(including
Prentice
Capital
Partners, LP,
Prentice
Capital
Partners QP,
LP, Prentice
Capital
Offshore, Ltd.,
Prentice
Special
Opportunities,
LP, Prentice
Special
Opportunities
Offshore, Ltd.
and Prentice
Special
Opportunities
Master, L.P.)
and manages
investments
for certain
entities in
managed
accounts with
respect to
which it has
voting and
dispositive
authority over
the shares
reported in the
Schedule 13G.
Michael
Zimmerman is
the managing
member of (a)
Prentice
Management
GP, LLC, the
general partner
of Prentice
Capital
Management,
(b) Prentice
Capital GP,
LLC, the
general partner

of certain investment funds, and (c) Prentice Capital GP II, LLC, the managing member of Prentice Capital GP II, LP, which is the general partner of certain investment funds. As such, he may be deemed to control Prentice Capital Management and certain of the investment funds and therefore may be deemed to be the beneficial owner of the securities reported in the Schedule 13G. Each of Michael Zimmerman and Prentice Capital Management disclaims beneficial ownership of the shares.

Beneficial Ownership of Directors and Officers

The following table sets forth the number of shares of common stock of the Company beneficially owned as of May 27, 2008 by each director, each named executive officer of the Company on that date and by all directors and the executive officers of the Company as a group:

	Shares Beneficially Owned(1)	Stock Option Shares(2)	Deferred Plan(3)	Total	% of Class
John D. Barline	16,945	465	22,267	39,677	*
Jens-Jürgen Böckel	10,591	2,529	9,167	22,287	*
Eric Claus	82,395	12,467	0	94,862	*
Christian W.E. Haub(4)	22,202,027	459,511	0	22,661,538	39.3%
Brenda Galgano	44,983	25,692	0	70,675	*
Bobbie Andrea Gaunt	1,000	4,428	31,300	36,728	*
Andreas Guldin	5,426	0	0	5,426	*
Dan Kourkoumelis	7,444	5,061	24,305	36,810	*
Edward Lewis	19,535	633	16,484	36,652	*
Gregory Mays	155	0	0	155	*
Allan Richards	29,497	12,731	0	42,228	*
Maureen B. Tart-Bezer	2,000	4,428	24,347	30,775	*
Paul Wiseman	29,497	3,250	0	32,747	*
All directors and executive officers as a group (14 persons)	22,451,495	531,195	127,870	23,110,560	40.1%

* Less than
1%.

(1) For purposes
of this table,
a person or a
group of
persons is
deemed to
have
beneficial
ownership of
any shares
which such
person has
the right to
acquire as of
July 26,
2008
(60 days
after May
27, 2008).
For purposes
of

computing
the
percentage
of
outstanding
shares held
by each
person or
group of
persons
named
above on a
given date,
any shares
which such
person or
group of
persons has
the right to
acquire
within 60
days after
such date are
deemed to
be
outstanding,
but are not
deemed to
be
outstanding
for the
purpose of
computing
the
percentage
ownership of
any other
person.

- (2) The amounts shown include all stock options granted under the Company's stock option plans exercisable within sixty (60) days from May 27, 2008.
- (3) The amounts shown represent the stock equivalent units accrued under the Company's Directors Deferred Payment Plan and the 2004 Non-Employee Director Compensation Plan. These share equivalents are subject to common stock market price fluctuations.
- (4) Mr. Christian W.E. Haub has shared voting and investment power over the shares owned by Tengemann and his spouse and they are therefore included in the number of shares beneficially owned by him.

DESCRIPTION OF THE COMPANY'S CAPITAL STOCK

The following description of the Company's capital stock is a summary and is qualified in its entirety by reference to the Company's charter and bylaws and by applicable law.

The Company's authorized share capital consists of 80,000,000 common shares, \$1.00 par value, and 3,000,000 preferred shares without par value. As of the record date, 57,634,195 common shares were outstanding and 76,604,947 shares were issued or reserved for issuance pursuant to outstanding obligations, and no preferred shares were outstanding.

Preferred Stock

The Company's board of directors can, without the approval of stockholders, issue one or more series of preferred shares. The board of directors may also determine the rights, preferences and limitations of each series including the maximum number of shares in the series, voting rights, conversion rights, redemption rights, dividend rights, liquidation rights, any preferences over the common shares with respect to dividend or liquidation distributions, and the terms and conditions of issue. The preferred stock may be senior to the common stock with respect to dividends, distributions upon liquidation and other rights.

Common Stock

The Company's common stock is listed for trading on the NYSE under the symbol **GAP**. The Company's transfer agent and registrar for common shares is the American Stock Transfer and Trust Company, 59 Maiden Lane, New York, NY 10038, telephone: (800) 937-5449.

Common stockholders only receive dividends when, as and if authorized by the Company's board of directors and declared by the Company. If declared, dividends may be paid in cash, stock or other forms of consideration. If and when the Company issues preferred shares, common stockholders may not receive dividends until the Company has satisfied its obligations to the preferred stockholders. Some of the Company's outstanding debt securities, credit agreements and other loan agreements also restrict the Company's ability to pay dividends.

All outstanding shares of common stock are fully paid and nonassessable. Any additional common shares issued in connection with the Share Lending Agreements and pursuant to a net share settlement of the Warrants would also be fully paid and nonassessable. There are no subscription rights, conversion rights or redemption or sinking fund provisions with respect to the shares of common stock but preemptive rights apply to issuances of capital stock and convertible securities in certain circumstances. Pursuant to a Stockholder Agreement dated as of March 4, 2007, between the Company and Tengelmann, Tengelmann has preemptive rights with respect to issuances of equity securities by the Company in certain circumstances.

Each share of common stock is entitled to one vote in the election of directors and other matters. Directors are elected by the vote of a plurality in interest of stockholders present in person or by proxy and entitled to vote in the election at a meeting at which a quorum is present. Common stockholders are not entitled to cumulative voting rights. Members of the Company's board of directors serve one-year terms (and until their successors are elected and qualify) and all directors are elected annually. Directors may be removed from office by the vote of a majority of the outstanding shares entitled to vote generally for the election of directors.

The quorum required at a stockholders' meeting is a majority of the votes entitled to be cast at the meeting, represented in person or by proxy. If a quorum is present, action on a matter is approved by the vote of a majority of all the votes cast at the meeting, unless otherwise required by law or the Company's charter. The MGCL requires approval by two-thirds of all votes entitled to be cast on the matter by each voting group entitled to vote, in the case of extraordinary corporate actions, such as:

certain
mergers;

with respect
to the party
other than
the
successor, a
share
exchange;

an
amendment
to the
charter,
with certain
exceptions;

with respect to the transferor corporation, the sale, lease, exchange or other disposition of all or substantially all of the corporation's assets, other than in the usual and regular course of business or if all of the equity interests of the transferee are owned, directly or indirectly, by the transferor corporation; or

the dissolution of the corporation.

Provisions Restricting a Change of Control

The Company's charter and bylaws, as well as the provisions of the MGCL, contain provisions that may have the effect of delaying, deferring or preventing a change of control of the Company. Although the Company's charter does not contain such a provision, the MGCL allows a corporation's charter to contain a provision requiring for any purpose a lesser proportion of the votes of all classes or of any class of stock than the proportion required by the MGCL for that purpose, but this proportion may not be less than a majority of all votes entitled to be cast on the matter. If a corporation's charter contains such a provision, it will affect the procedures necessary to effect a change of control.

STOCKHOLDER PROPOSALS

The Company plans to hold its next annual meeting of stockholders on or around July 19, 2008. In order to be considered for inclusion in the Company's proxy statement for the annual meeting, stockholder proposals must be received at the Company's principal executive offices, at The Great Atlantic & Pacific Tea Company, Inc., Two Paragon Drive, Montvale, New Jersey 07645, Telephone: (201) 573-9700, Attention: Secretary, no later than January

26, 2008 and otherwise comply with the requirements of Rule 14a-8 under the Exchange Act.

OTHER MATTERS

No business other than that set forth in the attached Notice of Special Meeting is expected to come before the Special Meeting. However, should any other matters requiring a vote of stockholders arise, including the question of adjourning the Special Meeting, the persons named in the accompanying proxy will vote thereon according to their best judgment in the interest of the Company.

By Order of the Board of Directors

ALLAN RICHARDS

Senior Vice President, Human Resources,
Labor Relations, Legal Services & Secretary

Dated: June 3, 2008

EACH PERSON SOLICITED BY THIS PROXY STATEMENT, INCLUDING ANY PERSON WHO ON MAY 27, 2008 IS A BENEFICIAL OWNER OF THE COMPANY'S COMMON STOCK, MAY REQUEST A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE LAST FISCAL YEAR. **SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE SECRETARY OF THE COMPANY AT ITS ADDRESS ABOVE.**

FORM OF CHARTER AMENDMENT AUTHORIZED SHARES

Article VI of the charter of The Great Atlantic & Pacific Tea Company, Inc., a Maryland corporation (the Corporation), is hereby amended by deleting the following paragraph in its entirety:

The total number of shares of stock which the Corporation shall have authority to issue is eighty-three million shares, of which three million shares are Preferred Stock without par value, issuable in one or more series as provided this ARTICLE VI, and eighty million shares are common stock par value one dollar for an aggregate par value of all shares of all classes of eighty million dollars.

and inserting the following paragraph in lieu thereof:

The total number of shares of stock which the Corporation shall have authority to issue is one hundred sixty-three million shares, of which three million shares are preferred stock without par value, issuable in one or more series as provided in this ARTICLE VI, and one hundred sixty million shares are common stock, par value one dollar per share, for an aggregate par value of all shares of all classes of one hundred sixty million dollars.

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**THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.
2008 LONG TERM INCENTIVE AND SHARE AWARD PLAN**

1. Purposes.

The purposes of the 2008 Long Term Incentive and Share Award Plan are to advance the interests of The Great Atlantic & Pacific Tea Company, Inc. and its stockholders by providing a means to attract, retain, and motivate employees of the Company, its subsidiaries and affiliates upon whose judgment, initiative and efforts the continued success, growth and development of the Company and its subsidiaries and affiliates are dependent.

2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) *Affiliate* means any entity other than the Company and its Subsidiaries that is designated by the Board or the Committee as a participating employer under the Plan, *provided* that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.

- (b) *Award* means any Option, SAR, Restricted Share,

Restricted
Share Unit,
Performance
Share,
Performance
Unit, Dividend
Equivalent, or
Other
Share-Based
Award granted
to an Eligible
Person under
the Plan.

- (c) *Award Agreement* means any written agreement, contract, or other instrument or document evidencing an Award.
- (d) *Beneficiary* means the person, persons, trust or trusts which have been designated by the Eligible Person in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under this Plan upon the death of the Eligible Person, or, if there is no designated Beneficiary or

surviving
designated
Beneficiary,
then the
person,
persons, trust
or trusts
entitled by will
or the laws of
descent and
distribution to
receive such
benefits.

(e) *Board* means
the Board of
Directors of
the Company.

(f) *Code* means
the Internal
Revenue Code
of 1986, as
amended from
time to time.
References to
any provision
of the Code
shall be
deemed to
include
successor
provisions
thereto and
regulations
thereunder.

(g) *Committee*
means the
Human
Resources &
Compensation
Committee of
the Board, or
such other
Board
committee as
may be
designated by
the Board to
administer the

Plan; *provided, however,* that, unless otherwise determined by the Board, the Committee shall consist of two or more directors of the Company, each of whom is a

non-employee director within the meaning of Rule 16b-3 under the Exchange Act, to the extent applicable, and each of whom is an outside director within the meaning of Section 162(m) of the Code, to the extent applicable;

provided, further, that the mere fact that the Committee shall fail to qualify under either of the foregoing requirements shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan.

(h)

Company
means The
Great Atlantic
& Pacific Tea
Company,
Inc., a
corporation
organized
under the laws
of Maryland,
or any
successor
corporation.

- (i) *Dividend
Equivalent*
means a right,
granted under
Section 5(g),
to receive
cash, Shares,
or other
property equal
in value to
dividends paid
with respect to
a specified
number of
Shares.
Dividend
Equivalents
may be
awarded on a
free-standing
basis or in
connection
with another
Award, and
may be paid
currently or on
a deferred
basis.

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- (j) *Effective Date* means June 26, 2008, which is the date on which the Plan was approved by the Company's stockholders.

- (k) *Eligible Person* means an employee of the Company, a Subsidiary or an Affiliate, including any director who is an employee.

- (l) *Exchange Act* means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and regulations thereunder.

- (m) *Fair Market Value* means, with respect to Shares or other

property, the
fair market
value of such
Shares or
other
property
determined
by such
methods or
procedures as
shall be
established
from time to
time by the
Committee. If
the Shares are
listed on any
established
stock
exchange or a
national
market
system,
unless
otherwise
determined
by the
Committee in
good faith,
the Fair
Market Value
of a Share
shall mean
the closing
price of the
Share on the
date on which
it is to be
valued
hereunder
(or, if the
Shares were
not traded on
that day, the
next
preceding day
that the
Shares were
traded) on the
principal
exchange or

market system on which the Shares are traded, as such prices are officially quoted on such exchange or market system.

- (n) *ISO* means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.
- (o) *NQSO* means any Option that is not an ISO.
- (p) *Option* means a right, granted under Section 5(b), to purchase Shares.
- (q) *Other Share-Based Award* means a right, granted under Section 5(h), that relates to or is valued by reference to Shares.
- (r) *Participant* means an Eligible

Person who
has been
granted an
Award under
the Plan.

- (s) *Performance Share* means a performance share granted under Section 5(f).
- (t) *Performance Unit* means a performance unit granted under Section 5(f).
- (u) *Plan* means this 2008 Long Term Incentive and Share Award Plan.
- (v) *Prior Plan* means The Great Atlantic & Pacific Tea Company, Inc. 1998 Long Term Incentive and Share Award Plan.
- (w) *Prior Plan Award* means an award under the Prior Plan which remains outstanding after the Effective Date.

- (x) *Restricted Shares* means an Award of Shares under Section 5(d) that may be subject to certain restrictions and to a risk of forfeiture.

- (y) *Restricted Share Unit* means a right, granted under Section 5(e), to receive Shares or cash at the end of a specified deferral period.

- (z) *Rule 16b-3* means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

- (aa) *SAR or Share Appreciation Right* means the right, granted under Section 5(c),

to be paid an amount measured by the difference between the exercise price of the right and the Fair Market Value of Shares on the date of exercise of the right, with payment to be made in cash, Shares, or property as specified in the Award or determined by the Committee.

(bb) *Shares* means common stock, \$1 par value per share, of the Company, and such other securities as may be substituted for Shares pursuant to Section 4(c) hereof.

(cc) *Subsidiary* means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if

each of the
corporations
(other than
the last
corporation in
the unbroken
chain) owns
shares
possessing
50% or more
of the total
combined
voting power
of all classes
of stock in
one of the
other
corporations
in the chain.

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(dd) *Termination
of Service*

means the termination of the Participant's employment with the Company, its Subsidiaries and its Affiliates, as the case may be. A Participant employed by a Subsidiary of the Company or one of its Affiliates shall also be deemed to incur a Termination of Service if the Subsidiary of the Company or Affiliate ceases to be such a Subsidiary or an Affiliate, as the case may be, and the Participant does not immediately thereafter become an employee of the Company, another Subsidiary of the Company or

an Affiliate.
Temporary
absences
from
employment
because of
illness,
vacation or
leave of
absence and
transfers
among the
Company
and its
Subsidiaries
and
Affiliates
shall not be
considered a
Termination
of Service.

3. Administration.

(a) *Authority of
the
Committee.*
The Plan
shall be
administered
by the
Committee,
and the
Committee
shall have
full and final
authority to
take the
following
actions, in
each case
subject to
and
consistent
with the
provisions of
the Plan:

(i) to select Eligible
Persons to whom
Awards may be

granted;

- (ii) to designate Affiliates;
- (iii) to determine the type or types of Awards to be granted to each Eligible Person;
- (iv) to determine the type and number of Awards to be granted, the number of Shares to which an Award may relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price, or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability, or settlement of an Award, and waiver or accelerations thereof in cases of death, disability, retirement or change-in-control, and waivers of performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine),

and all other matters to be determined in connection with an Award;

- (v) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, exchanged, or surrendered;
- (vi) to determine whether, to what extent, and under what circumstances cash, Shares, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Eligible Person;
- (vii) to determine whether, to what extent, and under what circumstances any cash, Shares, other Awards, or other property payable on a deferred basis will be adjusted

for interest or earnings equivalents and, if so, the basis for determining such equivalents;

- (viii) to prescribe the form of each Award Agreement, which need not be identical for each Eligible Person;
- (ix) to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;
- (x) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder;
- (xi) to accelerate the exercisability or vesting of all or any portion of any Award or to extend the period during which an Award is exercisable in

cases of death,
disability,
retirement or
change-in-control;
and

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- (xii) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

- (b) *Manner of Exercise of Committee Authority.* The Committee shall have sole discretion in exercising its authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Company, Subsidiaries, Affiliates, Eligible Persons, any person claiming any rights under the Plan from or through any Eligible Person, and stockholders. By accepting an Award under the Plan, each Eligible Person accepts the authority and discretion of the Committee as set forth in, and exercised in accordance with, the Plan. The

express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Subsidiary or Affiliate the authority, subject to such terms as the Committee shall determine, to perform administrative functions and, with respect to Awards granted to persons not subject to Section 16 of the Exchange Act, to perform such other functions as the Committee may determine, to the extent permitted under Rule 16b-3 (if applicable) and applicable law.

- (c) *Limitation of Liability.* Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Subsidiary or Affiliate, the

Company's independent certified public accountants, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, and no officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

- (d) *Limitation on Committee's Discretion.*
Anything in this Plan to the contrary notwithstanding, in the case of any Award which is intended to qualify as performance-based

compensation within the meaning of Section 162(m)(4)(C) of the Code, unless the Award Agreement specifically provides otherwise, the Committee shall have no discretion to increase the amount of compensation payable under the Award to the extent such an increase would cause the Award to lose its qualification as such performance-based compensation.

- (e) *Quorum, Acts of Committee.* A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all of the members, shall be acts of the Committee.

- (f) *Limitation on Committee's Authority under 409A.* Anything in this Plan to the contrary notwithstanding, the Committee's authority to modify outstanding Awards shall be

limited to the extent necessary so that the existence of such authority does not (i) cause an Award that is not otherwise deferred compensation subject to Section 409A of the Code to become deferred compensation subject to Section 409A of the Code or (ii) cause an Award that is otherwise deferred compensation subject to Section 409A of the Code to fail to meet the requirements prescribed by Section 409A of the Code.

- (g) *No Option or SAR Repricing Without Stockholder Approval.* Except as provided in the first sentence of Section 4(c) hereof relating to certain antidilution adjustments, unless the approval of the stockholders of the Company is obtained, Options and SARs issued under the Plan shall not be amended to lower their exercise price and Options and SARs issued under the Plan will not be exchanged for other Options or SARs with lower

exercise prices, or
for cash or other
awards.

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4. Shares Subject to the Plan.

- (a) Subject to adjustment as provided in Section 4(c) hereof, the total number of Shares reserved for grant in connection with Awards under the Plan shall be 4,750,000. No Award may be granted under the Plan if the number of Shares to which such Award relates, when added to the number of Shares previously issued under the Plan, exceeds the number of Shares reserved under the preceding sentence. If any Awards under the Plan or any Prior Plan Awards are forfeited, canceled, terminated, exchanged, surrendered or reduced to satisfy the minimum withholding requirements, or such Award under the Plan or Prior Plan Award is settled in cash or otherwise terminates without a distribution of Shares to the Participant, any Shares counted against the number of Shares reserved and available under the Plan with

respect to such Award under the Plan or Prior Plan Award shall, to the extent of any such forfeiture, settlement, termination, cancellation, exchange or surrender, again be available for Awards under the Plan. Upon the exercise of any Award granted in tandem with any other Awards, such related Awards shall be canceled to the extent of the number of Shares as to which the Award is exercised. No additional grants shall be made under the Prior Plan on or after the Effective Date.

- (b) Subject to adjustment as provided in Section 4(c) hereof, (i) the maximum number of Shares with respect to which Options or SARs may be granted during any calendar year to any Eligible Person under this Plan shall be 500,000 Shares and (ii) with respect to Share-based Awards other than Options and SARs intended to qualify as

performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code, the maximum number of Shares that may be granted during any calendar year to any Eligible Person under this Plan shall be 750,000 Shares or the equivalent thereof.

- (c) In the event that the Committee shall determine that any dividend in Shares, recapitalization, Share split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, extraordinary dividend or other similar corporate transaction or event, affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Eligible Persons under the Plan, then the Committee shall make such equitable changes or adjustments as it deems appropriate and shall, in such manner as it may

deem equitable, (i) adjust any or all of (x) the number and kind of shares which may thereafter be issued under the Plan, (y) the number and kind of shares, other securities or other consideration issued or issuable in respect of outstanding Awards, and (z) the exercise price, grant price, or purchase price relating to any Award, or (ii) provide for a distribution of cash or property in respect of any Award; *provided, however,* in each case that, with respect to ISOs, such adjustment shall be made in accordance with Section 424(a) of the Code, unless the Committee determines otherwise; and *provided, further,* that no adjustment shall be made pursuant to this Section 4(c) that causes any Award that is not otherwise deferred compensation subject to Section 409A of the Code to become deferred compensation subject to Section 409A of the Code.

In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria and performance objectives included in, Awards in recognition of unusual or non-recurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any Subsidiary or Affiliate or the financial statements of the Company or any Subsidiary or Affiliate, or in response to changes in applicable laws, regulations, or accounting principles; *provided, however,* that, in the case of an Award which is intended to qualify as performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code, such authority shall be subject to Section 3(d) hereof.

- (d) Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and

unissued Shares, or
Shares acquired by
purchase in the
open market or in
private
transactions.

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5. Specific Terms of Awards.

(a) *General.*

Awards may be granted on the terms and conditions set forth in this Section 5. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 8(d)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms regarding forfeiture of Awards or continued exercisability of Awards in the event of Termination of Service by the Eligible Person.

(b) *Options.* The Committee is authorized to

grant Options,
which may be
NQSOs or
ISOs, to
Eligible
Persons on
the following
terms and
conditions:

(i) *Exercise Price.*

The exercise price per Share purchasable under an Option shall be determined by the Committee; *provided, however,* that the exercise price per Share of an Option shall not be less than the Fair Market Value of a Share on the date of grant of the Option. The Committee may, without limitation, set an exercise price that is based upon achievement of performance criteria if deemed appropriate by the Committee.

(ii) *Option Term.*

The term of each Option shall be determined by the Committee; *provided, however,* that

such term shall not be longer than ten years from the date of grant of the Option.

- (iii) *Time and Method of Exercise.* The Committee shall determine at the date of grant or thereafter the time or times at which an Option may be exercised in whole or in part (including, without limitation, upon achievement of performance criteria if deemed appropriate by the Committee), the methods by which such exercise price may be paid or deemed to be paid (including, without limitation, broker-assisted exercise arrangements), the form of such payment (including, without limitation, cash, Shares, notes or other property), and the methods by which Shares

will be delivered or deemed to be delivered to Eligible Persons.

- (iv) *ISOs.* The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that the ISO shall be granted within ten years from the earlier of the date of adoption or shareholder approval of the Plan. ISOs may only be granted to employees of the Company or a Subsidiary.

- (c) *SARs.* The Committee is authorized to grant SARs (Share Appreciation Rights) to Eligible Persons on the following terms and conditions:
 - (i) *Right to Payment.* An SAR shall confer on the

Eligible Person to whom it is granted a right to receive with respect to each Share subject thereto, upon exercise thereof, the excess of (1) the Fair Market Value of one Share on the date of exercise over (2) the base amount per Share of the SAR as determined by the Committee as of the date of grant of the SAR (which shall not be less than the Fair Market Value per Share on the date of grant of the SAR and, in the case of an SAR granted in tandem with an Option, shall be equal to the exercise price of the underlying Option).

- (ii) *Other Terms.*
The Committee shall determine, at

the time of grant or thereafter, the time or times at which an SAR may be exercised in whole or in part (which shall not be more than ten years from the date of grant of the SAR), the method of exercise, method of settlement, form of consideration payable in settlement, method by which Shares will be delivered or deemed to be delivered to Eligible Persons, whether or not an SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR. Unless the Committee determines otherwise, an SAR (1) granted in tandem with an NQSO may be granted at the time of grant of the related NQSO

or at any time thereafter (but a tandem SAR may be granted after the grant date of the related NQSO only if the grant of the tandem SAR would not cause the related option to constitute nonqualified deferred compensation subject to Section 409A of the Code)

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and (2)
granted
in
tandem
with an
ISO
may
only be
granted
at the
time of
grant of
the
related
ISO.

- (d) *Restricted Shares.* The Committee is authorized to grant Restricted Shares to Eligible Persons on the following terms and conditions:
- (i) *Issuance and Restrictions.* Restricted Shares shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose at the date of grant or thereafter, which restrictions may lapse separately or in

combination at such times, under such circumstances (including, without limitation, upon achievement of performance criteria if deemed appropriate by the Committee), in such installments, or otherwise, as the Committee may determine. Except to the extent restricted under the Award Agreement relating to the Restricted Shares, an Eligible Person granted Restricted Shares shall have all of the rights of a shareholder including, without limitation, the right to vote Restricted Shares and the right to receive dividends thereon.

(ii)

Forfeiture.

Except as otherwise determined by the Committee, at the date of grant or thereafter, upon Termination of Service during the applicable restriction period, Restricted Shares and any accrued but unpaid dividends or Dividend Equivalents (and any accrued but unpaid interest or earnings equivalents thereon) that are at that time subject to restrictions shall be forfeited; *provided, however,* that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted

Shares will be waived in whole or in part in the event of Termination of Service resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Shares.

- (iii) *Certificates for Shares.* Restricted Shares granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Eligible Person, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted

Shares, and, unless otherwise determined by the Committee, the Company shall retain physical possession of the certificate.

- (iv) *Dividends.* Dividends paid on Restricted Shares shall be either paid at the dividend payment date, or deferred (with or without the crediting of interest or earnings equivalents thereon as determined by the Committee) for payment to such date, and subject to such conditions, as determined by the Committee, in cash or in restricted or unrestricted Shares having a Fair Market Value equal to the amount of such dividends; provided, however, that any such dividends (and

any interest or earnings equivalents credited thereon) shall be subject to forfeiture upon such conditions, if any, as the Committee may specify. Unless otherwise determined by the Committee, Shares distributed in connection with a Share split or dividend in Shares, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Shares with respect to which such Shares or other property has been distributed.

- (e) *Restricted Share Units*. The Committee is authorized to grant Restricted

Share Units
to Eligible
Persons,
subject to
the
following
terms and
conditions:

- (i) *Award and Restrictions.* Delivery of Shares or cash, as the case may be, will occur upon expiration of the deferral period specified for Restricted Share Units by the Committee (or, if permitted by the Committee, as elected by the Eligible Person). In addition, Restricted Share Units shall be subject to such restrictions as the Committee may impose, if any (including, without limitation, the achievement of performance criteria if

deemed appropriate by the Committee), at the date of grant or thereafter, which restrictions may lapse at the expiration of the deferral period or at earlier or later specified times, separately or in combination, in installments or otherwise, as the Committee may determine.

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- (ii) *Forfeiture.*
Except as otherwise determined by the Committee at date of grant or thereafter, upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Restricted Share Units), or upon failure to satisfy any other conditions precedent to the delivery of Shares or cash to which such Restricted Share Units relate, all Restricted Share Units that are at that time subject to deferral or restriction shall be

forfeited;
provided,
however,
that the
Committee
may provide,
by rule or
regulation or
in any
Award
Agreement,
or may
determine in
any
individual
case, that
restrictions
or forfeiture
conditions
relating to
Restricted
Share Units
will be
waived in
whole or in
part in the
event of
Termination
of Service
resulting
from
specified
causes, and
the
Committee
may in other
cases waive
in whole or
in part the
forfeiture of
Restricted
Share Units.

- (f) *Performance
Shares and
Performance
Units.* The
Committee is
authorized to
grant
Performance

Shares or
Performance
Units or both
to Eligible
Persons on
the following
terms and
conditions:

- (i) *Performance
Period and
Criteria.* The
Committee shall
determine a
performance period
(the Performance
Period) of one or
more years or other
periods and shall
determine the
performance
objectives for
grants of
Performance
Shares and
Performance Units.
Performance
objectives may
vary from Eligible
Person to Eligible
Person and shall be
based upon such
performance
criteria as the
Committee may
deem appropriate.
The performance
objectives may be
determined by
reference to the
performance of the
Company, or of a
Subsidiary or
Affiliate, or of a
division or unit of
any of the
foregoing.
Performance
Periods may
overlap and
Eligible Persons

may participate simultaneously with respect to Performance Shares and Performance Units for which different Performance Periods are prescribed.

(ii) *Award Value.* At the beginning of a Performance Period, the Committee shall determine for each Eligible Person or group of Eligible Persons with respect to that Performance Period the range of number of Shares, if any, in the case of Performance Shares, and the range of dollar values, if any, in the case of Performance Units, which may be fixed or may vary in accordance with such performance or other criteria specified by the Committee, which shall be paid to an Eligible Person as an Award if the relevant measure of Company performance for the Performance Period is met.

(iii) *Significant Events.* If during the course of a Performance Period there shall

occur significant events as determined by the Committee which the Committee expects to have a substantial effect on a performance objective during such period, the Committee may revise such objective; *provided, however,* that, in the case of an Award which is intended to qualify as performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code, such authority shall be subject to Section 3(d) hereof.

- (iv) *Forfeiture.* Except as otherwise determined by the Committee, at the date of grant or thereafter, upon Termination of Service during the applicable Performance Period, Performance Shares and Performance Units for which the Performance Period was prescribed shall be forfeited; *provided, however,* that the Committee may provide, by rule or regulation or in any Award

Agreement, or may determine in an individual case, that restrictions or forfeiture conditions relating to Performance Shares and Performance Units will be waived in whole or in part in the event of Termination of Service resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Performance Shares and Performance Units.

- (v) *Payment.* Each Performance Share or Performance Unit may be paid in whole Shares, or cash, or a combination of Shares and cash either as a lump sum payment or in installments, all as the Committee shall determine, at the time of grant of the Performance Share or Performance Unit or otherwise, commencing as soon as practicable after the end of the relevant Performance Period.

- (g) *Dividend Equivalents.* The Committee is authorized to grant Dividend Equivalents to Eligible Persons. The Committee may provide, at the date of grant or thereafter, that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares, or other investment vehicles as the Committee may specify, provided that, unless otherwise determined by the Committee, Dividend Equivalents (other than freestanding Dividend Equivalents) shall be subject to all conditions and restrictions of the underlying Awards to which they relate.
- (h) *Other Share-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to Eligible Persons such other Awards that may be denominated or payable in, valued

in whole or in part
by reference to, or
otherwise based on,
or related to,
Shares, as deemed
by the Committee
to be consistent
with the purposes
of the Plan,
including, without
limitation,
unrestricted shares
awarded purely as a
bonus and not
subject to any
restrictions or
conditions, other
rights convertible
or exchangeable
into Shares,
purchase rights for
Shares, Awards
with value and
payment contingent
upon performance
of the Company or
any other factors
designated by the
Committee, and
Awards valued by
reference to the
performance of
specified
Subsidiaries or
Affiliates. The
Committee shall
determine the terms
and conditions of
such Awards at
date of grant or
thereafter. Shares
delivered pursuant
to an Award in the
nature of a
purchase right
granted under this
Section 5(h) shall
be purchased for
such consideration,
paid for at such
times, by such

methods, and in such forms, including, without limitation, cash, Shares, notes or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, shall also be authorized pursuant to this Section 5(h).

- (i) *Performance Awards.* If the Committee determines that a Performance Share, Performance Unit or other Award (other than an Option or SAR) to be granted to an Eligible Person should qualify as performance-based compensation for purposes of Section 162(m) of the Code, the grant, vesting, exercise and/or settlement of such Award (each, a Performance Award) shall be contingent upon achievement of pre-established goals and other terms set forth below:
 - (i) The performance goals for such Performance

Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this subsection (i). The performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) of the Code and regulations thereunder (including Treasury Regulation Section 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being

substantially
uncertain.

The
Committee
may
determine
that such
Performance
Awards shall
be granted,
vested,
exercised
and/or settled
upon
achievement
of any one
performance
goal or that
two or more
of the
performance
goals must be
achieved as a
condition to
grant,
vesting,
exercise
and/or
settlement of
such
Performance
Awards.
Performance
goals may
differ for
Performance
Awards
granted to
any one
Participant or
to different
Participants.

- (ii) One or more
of the
following
business
criteria for
the Company
and/or for
specified

Subsidiaries
or Affiliates
or divisions
or other
business
units or lines
of business of
any of the
foregoing
shall be used
by the
Committee in
establishing
performance
goals for
such
Performance
Awards: total
stockholder
return,
earnings,
earnings per
share,
operating
income, net
income, pro
forma net
income,
return on
stockholders
equity, return
on invested
capital, return
on designated
assets, net
asset value,
economic
value added,
EBITDA,
share price,
sales,
revenues,
expenses,
operating
profit margin,
operating
cash flow,
cash flow per
share, net
profit margin,
and

achievement of synergies. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

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- (iii) Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period, as specified by the Committee. A performance goal shall be established in writing not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the date on which 25% of such performance period has elapsed. In all cases, the maximum Performance Award of any Participant shall be subject to the limitation set forth in Section 4(b) or 5(i)(vi), as applicable.
- (iv) Settlement of such Performance Awards shall be in cash, Shares, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance

Awards, but may not exercise discretion to increase any such amount payable to the Participant in respect of a Performance

Award subject to this subsection (i).

Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as

performance-based compensation for purposes of Section 162(m) of the Code. The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of Termination of Service of the Participant or other event (including a Change of Control) prior to the end of a performance period or settlement of such Performance Awards.

- (v) Determinations by the Committee as to the establishment of performance

goals for
Performance
Awards, the
amount potentially
payable in respect
of Performance
Awards, the level
of actual
achievement of the
specified
performance goals
relating to
Performance
Awards and the
amount of any final
Performance
Award shall be
recorded in writing.
Specifically, the
Committee shall
certify in writing,
in a manner
conforming to
applicable
regulations under
Section 162(m) of
the Code, prior to
settlement of each
such Award, that
the performance
objective relating to
the Performance
Award and other
material terms of
the Award upon
which settlement of
the Award was
conditioned have
been satisfied.

- (vi) The maximum
amount payable
upon settlement of
a cash-based
Performance
Award granted
under this Plan for
any calendar year
to any Eligible
Person shall not
exceed \$1,000,000.

- (j) *Minimum Vesting Provisions.* In the case of an Award in the form of Restricted Shares, Restricted Share Units or similar Awards, at least three years must elapse before the delivery or payment of shares of common stock or other property, except in the case of (a) termination of employment due to death, disability or retirement, (b) an Award that the Committee determines is performance based, in which case at least one year must elapse, (c) an Award to a director who is not an employee or (d) a change-in-control (pursuant to Section 7(a) of this document). Notwithstanding anything to the contrary contained herein, a maximum amount of 10% of the Shares reserved under the Plan (475,000 shares of common stock) may be delivered under the Plan pursuant to this subsection without giving

effect to the
restrictions set
forth above.

6. Certain Provisions Applicable to Awards.

- (a) *Stand-Alone, Additional, Tandem and Substitute Awards.*
Awards granted under the Plan may, in the discretion of the Committee, be granted to Eligible Persons either alone or in addition to, in tandem with, or in exchange or substitution for, any other Award granted under the Plan or any award granted under any other plan or agreement of the Company, any Subsidiary or Affiliate, or any business entity to be acquired by the Company or a Subsidiary or Affiliate, or any other right of an Eligible

Person to
receive
payment
from the
Company or
any
Subsidiary or
Affiliate.
Awards may
be granted in
addition to or
in tandem
with such
other Awards
or awards,
and may be
granted either
as of the
same time as
or a different
time from the
grant of such
other Awards
or awards.
Subject to the

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provisions of Section 3(g) hereof prohibiting Option and SAR repricing without stockholder approval, the per Share exercise price of any Option, grant price of any SAR, or purchase price of any other Award conferring a right to purchase Shares which is granted, in connection with the substitution of awards granted under any other plan or agreement of the Company or any Subsidiary or Affiliate or any business entity to be acquired by the Company or any Subsidiary or Affiliate, shall be determined by the Committee, in its discretion.

- (b) *Terms of Awards.* The term of each Award granted to an Eligible Person shall be for such period as may be determined by the Committee; *provided, however,* that in no event shall the term of any Option or an SAR exceed a period of ten years from the date of its grant (or, in the case of ISOs, such shorter

period as may be applicable under Section 422 of the Code).

- (c) *Form of Payment Under Awards.* Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Subsidiary or Affiliate upon the grant, maturation, or exercise of an Award may be made in such forms as the Committee shall determine at the date of grant or thereafter, including, without limitation, cash, Shares, notes, or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The Committee may make rules relating to installment or deferred payments with respect to Awards, including the rate of interest or earnings equivalents to be credited with respect to such payments, and the Committee may require deferral of payment under an

Award if it may be necessary in order to avoid nondeductibility of the payment under Section 162(m) of the Code.

(d) *Nontransferability.*

Unless otherwise set forth by the Committee in an Award Agreement, Awards (except for vested shares) shall not be transferable by an Eligible Person except by will or the laws of descent and distribution (except pursuant to a Beneficiary designation) and shall be exercisable during the lifetime of an Eligible Person only by such Eligible Person or his or her guardian or legal representative.

Under no circumstances will an Award be transferable for value or consideration. An Eligible Person's rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to claims of the Eligible

Person's creditors.

7. Change of Control Provisions.

- (a) *Acceleration of Exercisability and Lapse of Restrictions.*
In the event of a Change of Control, the following acceleration provisions shall apply unless otherwise provided by the Committee at the time of the Award grant:

All outstanding Awards pursuant to which the Participant may have rights the exercise of which is restricted or limited, shall become fully exercisable at the time of the Change of Control. Unless the right to lapse of restrictions or limitations is waived or deferred by a Participant prior to such lapse, all restrictions or limitations (including risks of forfeiture and deferrals) on outstanding Awards subject to restrictions or limitations under the Plan shall lapse, and all performance criteria and other conditions to payment of Awards under which payments of cash, Shares or other property are subject to conditions shall be deemed to be achieved or fulfilled and shall be waived by the Company at the time of the Change of Control.

- (b) *Definitions of Certain Terms.* For purposes of this Section 7, the following definitions, in addition to those set forth in Section 2, shall apply:

- (i) Change of Control means and shall

be
deemed
to have
occurred
if:

- a. any person (within the meaning of the Exchange Act), other than the Company, a Related Party or Tengelman Warenhandelsgesellschaft, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of Voting Securities representing 40 percent or more of the total voting power of all the then-outstanding Voting Securities; or

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- b. the individuals who, as of the effective date of the Plan, constitute the Board, together with those who first become directors subsequent to such date and whose recommendation, election or nomination for election to the Board was approved by a vote of at least a majority of the directors then still in office who either were directors as of the effective date of the Plan or whose recommendation, election or nomination for election was previously so approved (the Continuing Directors), cease for any reason to constitute a majority of the members of the Board; or

- c. the stockholders of the Company approve a merger, consolidation, recapitalization or reorganization of the Company or a Subsidiary, reverse split of any class of

Voting Securities, or an acquisition of securities or assets by the Company or a Subsidiary, or consummation of any such transaction if stockholder approval is not obtained, other than (I) any such transaction in which the holders of outstanding Voting Securities immediately prior to the transaction receive or retain, with respect to such Voting Securities, voting securities of the surviving or transferee entity representing more than 60 percent of the total voting power outstanding immediately after such transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction, or (II) any such transaction which would result in a Related Party beneficially owning more than 50 percent of the voting securities

of the surviving
entity outstanding
immediately after
such transaction;
or

- d. the stockholders
of the Company
approve a plan of
complete
liquidation of the
Company or an
agreement for the
sale or disposition
by the Company
of all or
substantially all
of the Company's
assets other than
any such
transaction which
would result in a
Related Party
owning or
acquiring more
than 50 percent of
the assets owned
by the Company
immediately prior
to the transaction.

Notwithstanding the foregoing, in the case of an Award that constitutes deferred compensation subject to Section 409A of the Code, the definition of "Change of Control" set forth above shall not apply, and the term "Change of Control" shall instead mean a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A (a)(2)(A)(v) of the Code (or any successor provision) and the regulations and guidance issued thereunder, but only to the extent this substitute definition is necessary in the order for the Award to comply with the requirements prescribed by Section 409A of the Code.

- (ii) "Related Party" means (a) a majority-owned subsidiary of the Company; (b) an employee or group of employees of the Company or any majority-owned subsidiary of the Company; (c) a

trustee or other
fiduciary
holding
securities under
an employee
benefit plan of
the Company or
any
majority-owned
subsidiary of the
Company; or
(d) a corporation
owned directly
or indirectly by
the stockholders
of the Company
in substantially
the same
proportion as
their ownership
of Voting
Securities.

- (iii) Voting
Securities
means any
securities of the
Company which
carry the right to
vote generally in
the election of
directors.

8. General Provisions.

- (a) *Compliance
with Legal and
Trading
Requirements.*
The Plan, the
granting and
exercising of
Awards
thereunder, and
the other
obligations of
the Company
under the Plan
and any Award
Agreement,
shall be subject

to all applicable federal, state and foreign laws, rules and regulations, and to such approvals by any stock exchange and any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Shares under any Award until completion of such stock exchange or market system listing or registration or qualification of such Shares or other required action under any state, federal or foreign law, rule or regulation as the Company may consider appropriate, and may require any Participant to make such representations

and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws, rules and regulations. No provisions of the Plan shall be interpreted or construed to obligate the Company to register any Shares under federal, state or foreign law. The Shares issued under the Plan may be subject to such other restrictions on transfer as determined by the Committee.

- (b) *No Right to Continued Employment or Service.* Neither the Plan nor any action taken thereunder shall be construed as giving any employee or director the right to be retained in the employ or service of the Company or any of its Subsidiaries or Affiliates, nor shall it interfere in any way with the right of the Company or any of its Subsidiaries or Affiliates to terminate any

employee s or
director s
employment or
service at any time.

- (c) *Taxes.* The Company or any Subsidiary or Affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Shares, or any payroll or other payment to an Eligible Person, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Eligible Persons to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of an Eligible Person s tax obligations;
provided, however,

that the amount of tax withholding to be satisfied by withholding Shares shall be limited to the minimum amount of taxes, including employment taxes, required to be withheld under applicable federal, state, local and foreign law.

- (d) *Changes to the Plan and Awards.* The Board may amend, alter, suspend, discontinue, or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders of the Company or Participants, except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Company's stockholders (i) to the extent such stockholder approval is required under the rules of any stock exchange or automated quotation system on which the Shares may then be listed or quoted, (ii) to the extent

stockholder approval is required by Section 3(g) hereof, (iii) as it applies to ISOs, to the extent such stockholder approval is required under Section 422 of the Code, or (iv) as it applies to Awards intended to qualify as performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code, to the extent such stockholder approval is required to preserve the qualification of the Award as performance-based compensation; *provided, however,* that, without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan may materially and adversely affect the rights of such Participant under any Award theretofore granted to him or her. The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or

terminate, any Award theretofore granted, prospectively or retrospectively; *provided, however,* that, without the consent of a Participant, no amendment, alteration, suspension, discontinuation or termination of any Award may materially and adversely affect the rights of such Participant under any Award theretofore granted to him or her.

- (e) *No Rights to Awards; No Shareholder Rights.* No Eligible Person or employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons and employees. No Award shall confer on any Eligible Person any of the rights of a shareholder of the Company unless and until Shares are duly issued or transferred to the Eligible Person in accordance with the terms of the Award.

(f)

Unfunded Status of Awards. The Plan is intended to constitute an unfunded plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; *provided, however,* that the Committee may authorize the creation of trusts or make other

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arrangements to meet the Company's obligations under the Plan to deliver cash, Shares, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the unfunded status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

- (g) *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without

limitation, the granting of options and other awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

- (h) *Not Compensation for Benefit Plans.* No Award payable under this Plan shall be deemed salary or compensation for the purpose of computing benefits under any benefit plan or other arrangement of the Company for the benefit of its employees or directors unless the Company shall determine otherwise.
- (i) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall

determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

- (j) *Governing Law.* The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any Award Agreement shall be determined in accordance with the laws of New Jersey without giving effect to principles of conflict of laws.

- (k) *Effective Date; Plan Termination.* The Plan shall become effective as of June 26, 2008 (the Effective Date), subject to approval by

the vote of the holders of a majority of the shares of stock of the Company present or represented at a special meeting of stockholders to be held in June 2008. The Plan shall terminate as to future awards on the date which is ten (10) years after the Effective Date.

- (l) *Titles and Headings.* The titles and headings of the sections in the Plan are for convenience of reference only. In the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

- (m) *Section 409A.* It is intended that the Plan and Awards issued thereunder will comply with Section 409A of the Code (and any regulations and guidelines issued

thereunder) to
the extent the
Awards are
subject thereto,
and the Plan
and such
Awards shall
be interpreted
on a basis
consistent with
such intent.
The Plan and
any Award
Agreements
issued
thereunder
may be
amended in
any respect
deemed by the
Board or the
Committee to
be necessary in
order to
preserve
compliance
with Section
409A of the
Code.

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EXECUTIVE AND DIRECTOR COMPENSATION

The following disclosure is information that was previously disclosed in, and is excerpted from, the Company's definitive proxy statement on Schedule 14A filed with the SEC on May 30, 2008.

Compensation Discussion & Analysis (CD&A)

The Human Resources & Compensation Committee sets the Company's compensation strategy and philosophy, as well as the specific compensation for the named executive officers. The Committee relied upon input from senior management in its executive compensation process, as well as data, information and guidance the Committee receives from its compensation consultant. This CD&A discusses the Committee's approach to compensation, analyzes the Company's decision-making process in setting executive pay, and displays specific amounts for each Named Executive Officer (NEO) in the executive compensation tables.

The principles that guide the Committee's compensation decision-making are:

Pay for
performance
for both the
short- and
long-term

Attract and
retain the
right person
for the right
job at the
right time

Build
cohesive,
focused and
energized
teams

Create
sustained
strategic and
operational
stability

Compensation Strategy

The Committee believes that compensation must be linked to A&P's sales performance, sustained profitable growth, return on invested capital and the consistent creation of shareholder value, and that performance must be measured against specific and clear performance objectives.

The strategy supporting our guiding principles is to:

attract and retain talent by designing a competitive compensation plan that drives short- and long-term performance resulting in the achievement of increased shareholder value;

create a culture of accountability and a desire to achieve that are consistent with the Company's business plan;

foster disciplined and productive leadership while at the same time building high-performance teams; and

enable the Company to realize sustained profitable growth and deliver promised results to shareholders.

The Process for Setting Executive Compensation

Since executive compensation decisions are made at its January meeting, the Committee's work begins in September of each year. The Committee relies on the following tools in making compensation decisions:

Input and data from the Committee's compensation consultant;

Comparisons of the

compensation
practices of
other
companies;

Input from
executive
management;

Data relating
to executive
and company
performance
against
objectives.

The Role of the Compensation Consultant

At the direction of the Committee, the consultant reviews compensation proposals and other materials prepared by management and advises the Committee on the consistency of the proposals with the Committee's compensation strategy and with compensation programs at other companies. At the request of the Committee, the consultant also prepares its own analysis of compensation

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matters and positions the Company's programs within the competitive market. The consultant also advises the Committee on whether the existing program design is consistent with the Company's compensation strategy.

Each year, the Committee (with input from management and the consultant) reviews the list of organizations whose compensation programs are a source of comparison for the Company's own programs (i.e., the Company's peer group). Management provides the Committee input on which companies compete with A&P for business and for executive talent. The consultant gathers information on suggested peer companies and meets with the Committee to discuss any data that has been gathered and proposes new or modified peer group companies where appropriate.

Once the Committee decides on a peer group or groups, it then instructs the consultant to retrieve, organize and analyze compensation program data from each of the peer group companies. In addition to the peer group data, the consultant provides the Committee a copy of its proprietary survey on compensation entitled the "Towers Perrin General Industry and Retail/Wholesale Compensation Annual Survey". The Committee receives the peer group data and the Towers Perrin Survey in September of each year, and then proceeds with a series of meetings with management over the course of several months to discuss compensation decisions for the next fiscal year. The consultant participates in all of these meetings, with and without the presence of management.

Competitive Compensation and Comparing the Compensation Practices of Other Companies

Competitive Compensation

In order to assess whether the Company's compensation packages are competitive, the Committee compares A&P's Total Direct Compensation (i.e., base salary plus annual incentive(s) plus long-term incentive(s) or TDC) to the TDC of the peer group companies. The Committee has defined "competitive" to mean that A&P's target TDC for any executive is the middle of the range of TDC for comparable executives within the peer group of companies:

Peer Group Analysis

Over time, A&P's peer group of companies changes as organizations change, are acquired or cease to be publicly traded. Also, changes in A&P's own profile (such as that resulting from A&P's acquisition of Pathmark in 2007) may require the peer group to be revised. As a result, the Committee annually instructs the consultant to propose updated peer group rosters comprised of companies that are:

Retail grocers;

Other
competitive
merchants;

Consumer
product
manufacturers;

Companies
with annual
sales in excess
of \$1 billion;

Companies with a similar organizational structure to A&P; and

Companies that are similar to A&P in other relevant ways, such as those operating within the region that A&P competes in for business and talent.

In addition to these criteria, the compensation consultant summarizes different reported financial and operating information for each member of the peer group including revenue, EBITDA,

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ROIC, number of employees and multi-year growth data. This information assists the Committee in determining whether the proposed peer group companies are similar enough to A&P to make any comparison of compensation practices meaningful to its decision-making process.

In 2007, the Committee changed its benchmarking process to include comparisons from more than one peer group. The updated process for 2007 included the following groups of companies:

1) Primary Peer Group consisting of grocery retailers and other direct competitors (i.e. drug stores, club stores, discount stores):

BJ's Wholesale Club Inc.	Costco Wholesale Corp.	CVS Corp.
Dollar Tree Inc.	Etablissements Delhaize Freres	Family Dollar Stores Inc.
Ingles Markets Inc.	Koninklijke Ahold NV	Kroger Co.
Nash Finch Co.	Rite Aid Corp.	Ruddick Corp.
Safeway Inc.	Sears Holdings Corporation	Spartan Stores Inc.
SUPERVALU Inc.	Target Corp.	Village Super Market Inc.
Walgreen Co.	Wal-Mart Stores Inc.	Weis Markets Inc.
Winn-Dixie Stores Inc.		

2) Secondary Peer Group consisting of other companies similar in size and industry, but which particularly compete with A&P for executive talent:

Bed Bath & Beyond Inc.	Best Buy Co. Inc.	Campbell Soup Co.
Circuit City Stores Inc.	Coca-Cola Co. (The)	Hershey Co.
Home Depot Inc. (The)	J.C.Penney Co., Inc.	Kohl's Corp.
Kraft Foods Inc.	Limited Brands Inc.	Lowe's Companies Inc.
Macy's, Inc.	Office Depot, Inc.	OfficeMax Inc.
Pepsico Inc.	Petsmart Inc.	Pier 1 Imports Inc.
Staples, Inc.	Williams-Sonoma Inc.	

3) Grocery Retailer Sub-Set of Primary Peer Group consisting almost exclusively of competitors in the grocery retailer marketplace.

At the Committee's instruction, the compensation consultant retrieves the NEO TDC from each peer group company's most recent proxy filing. The consultant then compares this data to the TDC for A&P's top seven executives. The consultant matches A&P executive data to the peer group according to job title or, if job title does not present a suitable match, then to compensation ranking within the peer group company. Although the Committee specifically compares A&P's executive TDC to the primary peer group, the Committee also considers data from the Secondary and Grocery Retailer Sub-Set Peer Groups.

In 2007, the Committee reviewed the information provided and determined that it was most appropriate to target the middle of the Primary Peer Group for each executive's TDC. The Committee then compared those results to the information available for both the Secondary Peer Group and the Grocery Retailer Sub-Set to give its members another perspective by which to consider the competitiveness of its executive compensation packages. The Committee was satisfied that the Primary Peer Group provided a reliable standard of comparison to ensure that the TDC for A&P's top seven executives remained competitive.

Survey Analysis

The Committee also instructs the consultant to benchmark A&P's executive compensation against survey data maintained by the consultant. Each year, the Company provides executive position descriptions to the consultant. These descriptions are reviewed and discussed by the consultant and the Committee, and the consultant is asked to match those jobs to benchmark positions in the consultant's own compensation surveys. The consultant used its General Industry and Retail/Wholesale Compensation Annual Survey to perform the comparison. Because of the large variance in size among the companies comprising the survey data, the consultant uses regression

analysis to adjust for differences in company revenues. The consultant submits to the Committee a report comparing each A&P executive's TDC with the 25th, 50th and 75th percentile of the market survey data. After the peer group analysis, the consultant's survey analysis represents a fourth source of data that the Committee considers in benchmarking compensation for A&P's seven most senior executives.

In addition, following discussions with the consultant the Committee determines which data source is most suitable for each executive position based on such factors as the availability of adequate data sources and the appropriateness of any matches to other executive compensation data.

The Role of Executive Management

Input from the Company's CEO and Executive Chairman is considered in the Committee's compensation decision making. Each year the Company's CEO reviews and discusses with the Committee the position descriptions for the Executive Management Team (except for his own position, which is reviewed by the Company's Executive Chairman). At meetings with the Committee and the consultant, the CEO describes his view of the relative importance of each executive to the Company and the distinguishing characteristics of each executive role. This information assists the consultant in matching A&P's executive positions to those in the peer group companies and to the benchmark positions contained in the consultant's survey data, as described above.

The Company's CEO receives a copy of the consultant's peer group analysis and survey analysis reports each year. The CEO attends approximately 4-5 meetings with the Committee and the consultant over several months during which the consultant's reports are reviewed and discussed. The CEO provides his opinion on whether the peer group and survey results are appropriate benchmarks for setting compensation for his direct reports. The CEO also discusses with the Committee whether subjective facts (such as the responsibilities or importance of any executive role, or the profile, performance or strategy of the Company) would for any executive merit a departure from the Company's practice of targeting the middle of the market of the Primary Peer Group for executive pay. The CEO also recommends to the Committee total compensation for each of his direct reports. The Executive Chairman provides the same assistance to the Committee regarding compensation decisions for the CEO, and will do so in the future with regard to the Executive Managing Director.³

Assessment of Company Performance

The Committee uses Company performance to assist in its compensation decision-making. First, as described in more detail below, the Committee assesses the Company's achievement against specific objective performance metrics in the case of the MIP (i.e., sales and operating income) and the LTIP (operating income and return on invested capital) in order to determine the level of payouts under these formula-based incentive programs.

Second, in order to evaluate the *quality* of performance, the Committee considers objective and subjective measures such as EBITDA, comparable store sales growth, industry performance and the impact of external events on Company performance (i.e., extraordinary events outside the executives' control but which nonetheless potentially impact Company performance). The Committee in its discretion may deviate from the formulas associated with the MIP and LTIP and adjust compensation upward or downward based upon the Committee's assessment of the quality of performance.

Assessment of Individual Performance

Individual performance influences the Committee's compensation decision making for all named executive officers. With respect to the Executive Chairman, the independent directors meet in

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The Executive Managing Director was hired in May of 2007

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executive session annually at the beginning of the year to agree upon the Executive Chairman performance objectives (both individual and company) for the year. At the end of the year, the independent directors meet in executive session to conduct a performance review of the Executive Chairman based upon his achievement of the agreed-upon objectives, contribution to the Company's performance, and other leadership accomplishments. This evaluation is shared with the Executive Chairman and is provided to the Committee for its consideration in setting the Executive Chairman's compensation.

The Committee relies upon a performance assessment and compensation recommendation from the Executive Chairman in setting compensation for the CEO and for the Executive Managing Director. For the other NEOs, the Committee receives a performance evaluation and compensation recommendation from the CEO.

The Elements of A&P's Executive Compensation Packages

Our compensation packages are comprised of:

- a) base salary;
- b) an annual cash incentive award (the Management Incentive Plan or MIP);
- c) a long-term equity incentive award (the LTIP); and
- d) perquisites and certain other benefits.

A significant percentage of each NEO's Target Total Direct Compensation (TTDC) consists of incentive-based pay (i.e., the MIP and LTIP). The Committee does not apply a specific formula in establishing the ratio of incentive pay as a component of TTDC. Instead, the Committee subjectively adjusts the percentage of TTDC allocated to incentive pay for each NEO based on his or her level in the organization as well as his or her ability to affect strategy and/or results for the Company.

In 2007, incentive pay as a percentage of TDC for the named executive officers was as follows:

Name	Base Salary (1)	Total Incentive Pay (MIP and LTIP)(2)	TDC	Incentive Pay as Percentage of TDC
Claus, Eric	\$ 750,000.00	\$ 2,806,607.00	\$ 3,556,607.00	79 %
Galgano, Brenda	\$ 415,000.00	\$ 775,882.00	\$ 1,190,882.00	65 %
Haub, Christian	\$ 775,000.00	\$ 2,011,932.00	\$ 2,786,932.00	72 %
Guldin, Andreas	\$ 450,000.00	\$ 1,092,430.00	\$ 1,542,430.00	71 %
Philbert, Rebecca	\$ 415,000.00	\$ 526,481.00	\$ 941,481.00	56 %

- (1) This amount represents the value from column (c) of

the Summary
Compensation
Table on page
C-14 hereof.

- (2) This amount represents the sum of the values appearing in columns (d), (e), (f) and (g) of the Summary Compensation Table on page C-14 hereof. The amount in this column includes actual cash payments to the executive, and, in the case of equity awards, the dollar amount recognized for financial statement reporting purposes for the fair value of restricted stock awards granted in 2007 as well as prior fiscal years, in accordance with SFAS 123(R).

Base Salary

Base Salary is fixed compensation (as opposed to incentive compensation that varies depending on the level of performance delivered).

The
Committee
considers a

number of
factors when
setting base
salaries:

competitive
positioning;

similar
positions at
peer
companies.

performance;
and

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recommendations
from the
Executive
Chairman and
the CEO that
take into account
experience and
level of
responsibility.

Although the Committee does not assign a particular weight to any one factor, it emphasizes performance and experience in determining Base Salary. Base Salaries may appear above or below the middle of the market for our peer group depending on the Committee's review of the factors stated above.

Adjustments were made to the base salary for certain executives during 2007 in order to be consistent with our compensation strategy. The actual fiscal 2007 Base Salaries of the NEOs are reported in column (c) of the Summary Compensation Table on page C-14.

Incentive Compensation

MIP

The Company provides its executives an opportunity to earn an annual MIP award to reward short-term (i.e., annual) performance against pre-set goals.

The
amount of
the MIP
award is
calculated
as a
percentage
of the
executive's
base salary.
The
intended
(i.e. target)
annual
cash
incentive
award for
each of the
named
executive
officers in
2007 was:

Name	2007 Target MIP
-------------	----------------------------

	(as % of Base Salary)
Claus, Eric	100 %
Galgano, Brenda M	55 %
Haub, Christian W	100 %
Guldin, Andreas	78 %
Philbert, Rebecca	55 %

For fiscal 2007, Sales Revenue (37.5%), Operating Income (37.5%) and Individual Performance against objectives (25%) were the three key measures of performance used to determine the actual payout value of an award. The actual payout for any of these three key measures of the MIP can range from 0 200%.

The actual payout on the MIP award can vary depending on the level of performance delivered; however, a minimum level of

performance must be achieved in order for any incentive payment to be earned.

The range of performance needed for a payout on the Sales Revenue and the Operating Income components of the MIP award for fiscal 2007 was:

Level of Performance	Sales Revenue Goal	Operating Income Goal	Amt of Payout Earned
Minimum	\$5,387.1 million	\$(11.5) million	50 %
Target	\$5,537.0 million	\$0.00 million	100 %
Maximum	\$5,553.4 million	\$7.47 million	200 %

If the Company's actual performance for any goal falls between the levels listed above, the percentage payout on that goal is proportionately adjusted.

NEOs can earn up to a 200% payout on Individual Performance based upon the achievement of pre-set personal objectives and/or an exercise of the Committee's discretion.

Based on Fiscal 2007 operating results, and assuming 100% performance against personal objectives, the MIP would have been paid out at 92.7% of target:

Performance Measure	2007 Target	2007 Actual Results	% Achievement Against Target	% Payout
Sales Revenue	\$5,537.0 million	\$5,532.0 million	99.91 %	98.3 %
Operating Income	\$ 0.0 million	\$ (4.1) million	n/a	82.2 %
Personal Objectives			100.0 %	100.0 %
			Total MIP Payout	92.7 % ⁴

Based upon the extraordinary efforts that were required and delivered individually and by the executive management team as a whole specifically the acquisition and early closing of Pathmark in a very challenging credit environment, the divestitures of A&P's Midwestern and Southern divisions, the seamless integration of the Pathmark business with minimal disruption to the ongoing operation of A&P, all of which combined to deliver substantial shareholder value creation and with the recommendation of the Executive Chairman and CEO, the Committee exercised its discretion and set individual performance payout awards of 150% of target for each of the executives on the Company's executive management team (including three of the five NEOs). As well, the Committee supported the recommendation of the Executive Chairman and CEO to equally reward each member of the CEO's management team to reinforce the important role of team work in driving superb execution.

The actual 2007 award payments to the NEOs for the Sales Revenue and Operating Income portions of the MIP are listed under the Non-Equity Incentive Plan Compensation column (g) of the Summary Compensation Table on page C-14. The actual 2007 award payments to the NEOs for the individual performance component of the MIP are listed under the Bonus column (d) of the Summary Compensation Table on page C-14. The minimum, target and maximum values for the overall MIP awards for fiscal 2007 are listed under the Estimated Future Payouts Under Non-Equity Incentive Plan Awards columns (d), (e) & (f) of the Grants of Plan Based Awards Table on page C-16.

LTIP

The Company provides its executives an LTIP award to motivate management to achieve the Company's long-term performance goals.⁵

The goals used in fiscal 2007 were:

Return on
Invested
Capital
(ROIC);
and

Operating
Income
(OI).

The dollar value of the LTIP award is calculated as a percentage of the executive's base salary. The target LTIP award for each of the named executive officers is:

Name	2007 Target LTIP (as % of Base Salary)
Claus, Eric	275 %

Galgano, Brenda M	125 %
Haub, Christian W	150 %
Guldin, Andreas	150 % ⁶
Philbert, Rebecca	125 %

The LTIP award consists of:

restricted share
units
(RSUs)(75%);
and

-
- 4 For fiscal 2007, the actual payout on the MIP was rounded to the nearest whole percentage, or to 93%.
- 5 The long-term equity incentive award is made under the Company's 1998 Long-Term Incentive and Share Award Plan (the Plan).
- 6 The LTIP Target for the Executive Managing Director is 150% of base salary plus annual cash incentive target.

stock options
(25%)

The Committee chose RSUs since they are earned only if both the ROIC and OI goals are achieved over an extended (i.e. 3-year) period of time. This ensures that the compensation interests of the executive are aligned with the interests of our shareholders.

The Committee included stock options as part of the LTIP because they also align executive interests with those of shareholders by providing compensation where the value is wholly dependent on share price appreciation.

RSU awards depend upon the Company's achievement of operating goals over a 3-year period and are only earned if the performance goals are met in the final year of the measuring period. No RSUs are awarded if the Company's actual performance does not meet the minimum standards for either goal. Conversely, the number of RSUs may increase (up to a maximum of 2 times an individual's target award) when performance meets or exceeds the minimums for both goals. This is different from options, which vest at the rate of 25% per year for four years.

We have not provided the percentage and dollar values comprising the ROIC and OI measures. We believe that these targets and goals are statements of the Company's expectations and estimates of future results and, therefore, by disclosing these strategically sensitive projections we will be informing our competitors of the Company's strategic and operating planning processes, thereby causing our Company competitive harm. Specifically, disclosing OI projections would tell competitors about our growth and operating plans for the next three years, and permit them to respond competitively before we can execute on such plans. Similarly, disclosing ROIC would tell competitors about our cost of capital and our capital development projections, which represent key cost and planning information. Although management believes that with proper execution against its strategic plan the Company will achieve these ROIC and OI targets, they represent a significant improvement over the Company's historical performance for the past ten years and we therefore consider them to be stretch goals.

The estimated future payouts to the NEOs under the Company's 2007 LTIP award are set forth in the Estimated Future Payouts Under Equity Incentive Plan Awards columns (h), (i) & (j) of the Grants of Plan-Based Awards Table on page C-16.

Grant Date Practice

The Committee's practice has been that the grant date (for the purpose of determining RSU and stock option awards under the Plan) is that which occurs on the first business day after the applicable Committee meeting in which the award is approved. In January 2007, the Committee approved a policy to use the first day of each new fiscal year as the grant date for any long-term equity incentive award,⁷ subject to the Committee's discretion in relation to the release of material non-public information in the best interests of shareholders. The Company's grant date practice is applied equally to the named executive officers and to any other employees who receive grants of stock options or RSUs.

Ownership Commitments

The Company maintains stock ownership guidelines that are applied to all named executive officers. A&P believes that mandating management ownership of Company stock ensures their focus on the strategy of providing long-term shareholder value. Under these guidelines, named executive officers are expected to own common shares or share equivalents in the following amounts:

- (1) CEO 3 times base salary;
- (2) Executive Managing Director 2 time base salary;

- ⁷ The stock price used to determine the number of award units will be the 10-day average market closing price of the Company's common stock for the 5 days preceding and 5 days following the grant date.

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(3) Executive Management Team 2 times base salary;

(4) Next reporting level 1 times base salary.

For purposes of these guidelines, stock ownership includes shares over which the executive has direct or indirect ownership or control. This includes restricted stock or restricted stock units, but does not include unexercised stock options. Executives are expected to meet their ownership guidelines within five years of becoming subject to the guidelines. Each named executive officer currently meets the requirements of the stock ownership guidelines, except for the Executive Managing Director, who was hired in 2007. Recently hired executives are given a reasonable amount of time to comply with the Company's stock ownership guidelines.

Perquisites and Certain Other Benefits

Perquisites and Certain Other Benefits consist of comprehensive and competitive health and welfare or retirement benefits as well as other benefits. The Company believes providing these benefits allows it to remain competitive for leadership talent. The aggregate incremental cost of such benefits incurred by the Company during fiscal 2007 is summarized in the All Other Compensation Table on page C-15.

Health and Welfare Benefits

NEOs are provided comprehensive medical, dental, life insurance and long-term disability benefits. The medical benefits (which include prescription drug and vision coverage) as well as dental benefits are provided under an Executive Medical Program. This program provides 100% coverage for the named executive officers and their dependents. Life insurance is provided for each executive in an amount equal to two times base salary up to a maximum of \$1.0 million dollars and long-term disability protection is provided to each executive with an available benefit of up to 60% percent of base salary.

Retirement Benefits

Named executive officers are also provided access to customary retirement, savings and supplemental retirement plans:

- (1) Retirement Plan
(the Qualified
Plan) annual
contribution
amounts
calculated at 4%
of all annual
eligible
compensation
up to IRS limits;
- (2) Supplemental
Retirement and
Benefit
Restoration Plan
(the
Supplemental
Plan) designed

to provide
benefits similar
to the Qualified
Plan if the IRS
cap did not
exist;

- (3) 401(k) Savings Plan includes a match of \$.50 on every \$1.00 for the first six percent of base salary contributed by the executive;
- (4) Supplemental Executive Retirement Plan (the SERP) a retirement vehicle that assists the Committee in attracting and retaining talented leadership. The SERP is made available to a limited group of management employees selected by the Chief Executive Officer with the approval of the Committee. Benefits are intended to supplement the sources of retirement income available under the Company's various plans in order to provide a target benefit of 60% of

average annual compensation at age 65. The compensation covered by the SERP is base salary (i.e., the Annual Salary reflected in the Summary Compensation Table) computed as an average of such base salary over the highest compensated five (5) years of employment during the last ten (10) years of the executive's employment. Under the SERP plan, participants are annually awarded a target benefit in an amount equal to 3% of base salary for each year of service, up to a maximum of 20 years or a 60% aggregate benefit. Benefits are not funded but are paid by the Company as they come due. A balance sheet reserve is maintained by the Company. The interest of the participant and his or her spouse under the SERP plan

is only that of
an unsecured
creditor of the
Company;

- (5) Deferred
Compensation
Plan (the
Deferred Comp
Plan) executives
can defer up to
100% of their
respective
Annual Cash
Incentive pay
opportunity.
Executives are
not entitled to
defer any

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portion of their base salaries or long-term incentive equity awards under the Deferred Comp Plan.

Should the executive in any year choose to defer all or a portion of his or her Annual Cash Incentive award, the executive may elect to defer this income for either: a) a period of three (3) years; or b) until retirement.

All deferred funds are maintained by the Company on the executive's behalf in an interest-bearing account; the designated interest rate paid on such accounts is the Company's average cost of borrowing from the Company's primary lenders.

Compensation for Chief Executive Officer

The CEO is generally compensated in the same manner as the other executives. For the fiscal 2007 performance period, the Committee approved a performance-based annual cash incentive award to the CEO in the amount of \$697,500, and a discretionary bonus award in the amount of \$93,750. These amounts are reflected in columns (g) and (d), respectively, of the Summary Compensation Table on page C-14. The CEO's Base Salary remained unchanged at \$750,000 for fiscal 2007. This amount is reflected in column (c) of the Summary Compensation Table on page C- 14.

Executive Chairman of the Board

The Executive Chairman is generally compensated in the same manner as the other executives. For the fiscal 2007 performance period, the Committee approved a performance-based annual cash incentive award to the Executive

Chairman in the amount of \$720,750, and a discretionary bonus award in the amount of \$96,875. These amounts are reflected in columns (g) and (d), respectively, of the Summary Compensation Table on page C-14. The Executive Chairman's Base Salary remained unchanged at \$775,000 for fiscal 2007. This amount is reflected in column (c) of the Summary Compensation Table on page C-14.

Income Tax Consequences

Section 162(m) of the Internal Revenue Code, enacted in 1993, subject to certain exceptions, disallows a tax deduction to public companies for compensation over \$1,000,000 paid to the Company Chief Executive Officer and the four (4) other most highly compensated executives at fiscal year end. The exceptions to the \$1,000,000 deduction limit include compensation paid under preexisting employment agreements and performance-based compensation meeting certain requirements. The Company's 1994 Stock Option Plan and the 1998 Long Term Incentive and Share Award Plan are in compliance with the provisions of Section 162(m) so that amounts received upon the exercise of options should be exempt from Section 162(m) limitations.

As a matter of practice, the Committee intends to set performance-based goals annually under the Company's annual cash incentive award plan and long-term equity incentive award plan, and to deduct compensation paid under these plans to the extent consistent with the provisions of Section 162(m). However, if such compliance with Section 162(m) conflicts with what the Committee believes to be in the best interests of the Company and its Stockholders, the Committee may conclude that the payment of non-deductible compensation best serves those interests.

Impact of Pathmark Acquisition and Other 2007 Events on Outstanding Equity Awards

In December of 2007, the Company completed its acquisition of Pathmark and thereby added 140 stores to its operating store fleet. Earlier in 2007, the Company divested its Michigan and Louisiana divisions, which resulted in the closure and/or sale of 87 store locations. With these transactions occurring in different stages at different points in time, the Committee deemed it necessary to:

assess the
Company's
performance
in relation to
original
objectives
set in the
2005, 2006
and 2007
fiscal years;
and then

adjust the
financial and
operating
performance
measures
relating to
pre-existing
equity award
grants so as
to reflect the

Company's
new design
and
operations.

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The 2005 TIP

In 2004, the Company implemented the 2005 Turnaround Incentive Compensation Program (TIP) in connection with a corporate restructuring initiative. Under the TIP, executives were awarded RSUs that would vest only if Operating Income goals were achieved in each of the 2005, 2006 and 2007 fiscal years.

The events of 2007 were a departure from the assumptions underlying the Operating Income goals in connection with the original TIP grant. The Company's actual Operating Income for fiscal 2007 ceased to be an appropriate measure of whether the TIP performance goals had been met. As a result, in 2007 the Committee exercised discretion in order to determine whether and to what extent the TIP grant had been earned.

As the following graph shows, the Company exceeded the TIP Operating Income goals in the 2005 and 2006 fiscal years, respectively.

**Standalone Operating Income Trend
Exceeds TIP Performance Target**

Based on this data, on June 15, 2007 the Committee recognized the Company's performance to date under the TIP such that the applicable performance criteria was deemed to have been met with respect to two-thirds of the RSUs granted to each executive under the TIP. The Committee further determined that 50% of the RSUs thereby earned by the executive would vest on the first day of the Company's 2008 fiscal year, with the balance vesting on the first day of the Company's 2009 fiscal year.

The 2006 LTIP

In 2006, the Company's executives were awarded grants of RSUs and stock options under the Company's 2006 Long-Term Incentive Program (LTIP). Just as had occurred with the 2005 TIP, the 2006 LTIP's Operating Income and ROIC performance goals for the 2007 and 2008 fiscal years ceased to be effective performance measures in light of the events of 2007. As a result, in 2007 the Committee exercised discretion in order to determine whether and to what extent the 2006 LTIP grant had been earned.

As the following graph shows, in fiscal 2006 the Company exceeded both the LTIP Operating Income and ROIC goals by 55% and 124%, respectively, and the Company was on track to maintain such performance for the 2007 and 2008 fiscal years.

FY 2006 LTIP Performance Exceeded Plan

Based on this data, on June 15, 2007 the Committee recognized the Company's performance to date under the 2006 LTIP such that the applicable performance criteria was deemed to have been met at an achievement level of 125% for one-third of the RSUs granted to each executive thereunder. The Committee further determined that the RSUs thereby earned by the executive would vest on the first day of the Company's 2009 fiscal year. The Committee adjusted the performance measures for the remaining two-thirds of the RSUs granted under the 2006 LTIP so as to account for the impact of events in 2007 on the operating results of the company. Whether the remaining RSUs are earned will depend on whether the Company meets the new Operating Income and ROIC targets for fiscal 2008.

The 2007 LTIP

In 2007, the Company's executives were awarded grants of RSUs and stock options under the Company's 2007 Long-Term Incentive Program (LTIP). Just as had occurred with the 2006 LTIP, the Operating Income and ROIC performance goals for the 2007, 2008 and 2009 fiscal years were no longer viewed as appropriate performance measures due to the events of 2007. As a result, in 2007 the Committee adjusted the performance measures for all RSUs granted under the 2007 LTIP. If earned, the 2007 LTIP will vest in fiscal year 2010.

One-Time Equity Awards

The 2007 Executive Closing & Integration Incentive Plan (E-CLIIP)

In support of the decision to acquire Pathmark, the Committee determined that, in order to promote a successful merger and integration for the benefit of all shareholders while also sustaining overall operational performance, it would need to expect and drive extraordinary executive performance. As previously indicated, the existing executive compensation programs are only designed to reward executives for achieving goals and measuring performance against typical business performance expectations. As a result, on June 15, 2007, the Committee approved the E-CLIIP, which is specifically designed to reward extraordinary individual and organizational performance.

Under the E-CLIIP, executives were awarded RSUs that will vest 36 months following the successful closing date of the Pathmark acquisition only if specific integration goals are achieved and, in particular, only if specific share price hurdles are cleared. The amount of the target E-CLIIP award for each executive was set by the Committee and reflects the executive's expected contribution to the success of the Pathmark acquisition, based upon the executive's role and responsibilities.

The E-CLIP is designed to reward executives for the achievement of specific acquisition milestones (i.e., closing deadlines) and performance goals (i.e., synergy targets), which are reflected in the following earned award table:

Milestone	% of Target E-CLIP Award Earned
Transaction Closing	25 %
Tier I Synergies	25 %
Tier II Synergies	50 %

Transaction Closing needed to take place on or before March 8, 2008 and would be considered successful provided that the amount of EBITDA associated with stores divested as part of the acquisition was within acceptable limits.⁸

Tier I Synergies need to be realized within six (6) months of the successful closing date and in the amount of no less than \$75.0 million in

acquisition synergies or cost savings.

Tier II Synergies need to be realized within eighteen (18) months of the successful closing date and in the amount of no less than \$160.0 million in acquisition synergies.

The E-CLIPP's vesting schedule is also designed to ensure that executives are rewarded only if the Pathmark acquisition delivers increased value to A&P's shareholders, because any earned portion of the award will not vest until and unless the Company's common stock achieves a threshold, target or maximum share price value for a period of no less than any ten consecutive business days at any time from the date of closing to the 3-year (36 month) anniversary of the date of closing. The share price values selected by the Committee are the same share price values comprising the proposed acquisition strategy developed by management at the time the acquisition of Pathmark was brought to A&P's board of directors for approval.

The Special One-Time Award to Mr. Guldin

In recognition of his lead role in the successful negotiation of the Pathmark acquisition, and pursuant to the terms of his employment agreement on May 1, 2007, the Company granted to Mr. Guldin 15,000 RSUs in accordance with the Plan. 5,000 RSUs vested on December 3, 2007; 5,000 RSUs will vest on December 3, 2008. The remaining 5,000 RSUs will vest on December 9, 2009. This award is reflected in columns (i) and (j) of the Grants of Plan-Based Awards table on page C-16, as well as the Outstanding Equity Awards at Fiscal Year End at table on page C-22.

REPORT OF HUMAN RESOURCES & COMPENSATION COMMITTEE

The Human Resources & Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis (CD&A) required by Item 402(b) of Regulation S-K with management and, based on its review and discussions, the Human Resources & Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Human Resources & Compensation Committee

Bobbie Gaunt, Chair
Ed Lewis
Gregory Mays
Maureen Tart-Bezer

Human Resources & Compensation Committee Interlocks and Insider Participation

No member of the Human Resources & Compensation Committee indicated above has ever been an officer or employee of the Company or any of its subsidiaries.

- 8 The Committee has deemed the Transaction Closing Milestone to have been achieved based upon the December 3, 2007 closing of the acquisition, which resulted in the loss of only \$6.0 million in EBITDA in connection with the divested stores.

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation paid or earned by each of the NEOs for the fiscal year ended February 23, 2008.

Amounts listed under column (d) (Bonus) and (g) (Non-Equity Incentive Plan Compensation) represent the actual payments earned by the executive under the February 25, 2007 Non-Equity Incentive Plan Award as set forth on the Grants of Plan-Based Awards Table on page C-16. These payouts were determined by the Committee at its April 17, 2008 meeting and were paid out on May 9, 2008.

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name and Principal Position	Year	Salary (\$)	Bonus (2)	Stock Awards \$(3)	Option Awards \$(4)	Non Equity Incentive Plan Compensation (5)
Claus, Eric	2007	\$ 750,000	\$ 93,750	\$ 1,545,262	\$ 470,095	\$ 697,500
<i>President and CEO</i>	2006	\$ 698,077	\$	\$ 1,630,871	\$ 94,532	\$ 630,000
Galgano, Brenda	2007	\$ 414,654 (1)	\$ 28,531	\$ 416,848	\$ 118,230	\$ 212,273
<i>Senior Vice President and CFO</i>	2006	\$ 385,000	\$	\$ 361,374	\$ 25,451	\$ 204,338
Haub, Christian	2007	\$ 775,000	\$ 96,875	\$ 929,339	\$ 264,968	\$ 720,750
<i>Exec. Chairman of the Board</i>	2006	\$ 772,346	\$	\$ 894,826	\$ 61,478	\$ 651,000
Guldin, Andreas	2007	\$ 370,385	\$ 37,019	\$ 479,332	\$ 299,869	\$ 276,210
<i>Exec. Managing Dir. Strat. & Corp. Dev.</i>	2006	\$	\$	\$	\$	\$
Philbert, Rebecca	2007	\$ 415,000	\$ 28,531	\$ 167,447	\$ 118,230	\$ 212,273
<i>Senior Vice President Merchandising</i>	2006	\$ 87,789	\$	\$	\$	\$ 44,245

- (1) Brenda Galgano received an increase in her base salary from \$385,000 to \$415,000 effective 3/1/07.
- (2) The amounts in column (d) reflect discretionary payments approved by the Committee under the 2007 MIP, as more fully described in the section entitled MIP on page C-6.
- (3) The amounts in column (e) are not actual payments to the executive, but rather, represent the dollar amount recognized for financial statement reporting purposes in fiscal years 2007 and 2006, as applicable, for the fair value of restricted stock awards granted in those years as well as prior fiscal years, in accordance with SFAS 123(R). The amount in column (e) for fiscal 2007 also reflects the forfeiture of one-third (1/3) of the grant to the

executive of restricted share units under the 2005 TIP, which was recorded in fiscal 2007.

Assumptions used in the calculation of these amounts are included in footnote 13 of the Company's audited financial statements for the fiscal year ended February 23, 2008, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on or around May 8, 2008. As new hires, Mr. Guldin and Ms. Philbert were not awarded any restricted units for FY 2006.

- (4) The amounts in column (f) are not actual payments to the executive but rather, represent the dollar amount recognized for financial statement reporting purposes in fiscal years 2007 and 2006, as applicable, for the fair value of option awards granted in those years as well as

prior fiscal years,
in accordance
with SFAS 123
(R). Assumptions
used in the
calculation of this
amount are
included in
footnote 13 to the
Company's
audited financial
statements for
fiscal year ended
February 23,
2008, included in
the Company's
Annual Report on
Form 10-K filed
with the
Securities and
Exchange
Commission on or
around May 8,
2008. As new
hires, Mr. Guldin
and Ms Philbert
were not awarded
any stock options
during FY 2006.

- (5) The amounts in
column (g) reflect
the
non-discretionary
portions of the
cash awards under
our MIP to each
of the NEOs for
2007 and 2006, as
applicable. The
amounts disclose
the actual non-
discretionary
portions of the
MIP bonuses
earned for 2007
and 2006
performance
which were paid
in May of 2008
and May 2007,

respectively, and
do not reflect the
amounts shown in
the Grants of
Plan-Based
Awards Table
below.

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- (6) The amounts in column (h) include the aggregated change in the actuarial Present Value of Accumulated Benefits under all actuarial pension plans during the 2007 and 2006 fiscal years. The Present Value of Accumulated Benefits reflects benefits payable at Normal Retirement Age based on the same assumptions used for Pension Disclosure in the footnotes to the Annual Report, including a discount rate of 5.75% at 2/23/2008 and 2/24/2007. The increase in PVAB is from 2/24/2007 to 2/23/2008. Mr. Haub does not participate in the Company's SERP program. Mr. Guldin did not participate in the Company's

SERP program
in 2007.

- (7) The amounts
in column (i)
are detailed in
the All Other
Compensation
Table below.

ALL OTHER COMPENSATION

Name	Other Annual Compensation						Inter on Defer Com
	Qualified Plan	Suppl- mental Plan	401K Company Match	Life Ins. Prem.	MERP (Exec. Medical Plan)	Auto Program	
Claus, Eric	\$ 9,000	\$ 21,000	\$ 6,750	\$ 1,740	\$ 12,575	\$ 15,163	\$
Galgano, Brenda	\$ 9,000	\$ 7,600	\$ 6,750	\$ 448	\$ 12,575	\$ 12,260	\$
Haub, Christian	\$ 9,000	\$ 22,000	\$ 6,750	\$ 600	\$ 12,575	\$ 127,370 (1)	\$ 20
Guldin, Andreas	\$	\$	\$	\$ 810	\$ 12,575	\$ 7,742	\$
Philbert, Rebecca	\$	\$	\$	\$ 747	\$ 12,575	\$ 13,265	\$

- (1) This amount
includes the
cost of Mr.
Haub's drivers
salaries.
- (2) This amount
reflects the
cost of Mr.
Guldin's
residential
leasehold, as
more fully
disclosed
under the
heading
Certain
Relationships

and
Transactions
on page 17 of
the Company's
definitive
proxy
statement on
Schedule 14A
filed May 30,
2008.

AWARD TABLES

The following three tables set forth information regarding awards granted by the Company to the Named Executive Officers during the last fiscal year and the status of existing awards. The Grants of Plan-Based Awards Table provides additional information about the plan-based compensation disclosed in the Summary Compensation Table on page C-14.

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Grants of Plan-Based Awards

(a)	(b)	(c)	(d)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2)			(h)
				(e)	(f)	(g)	
Name	Approval Date	Grant or Award Date	Plan (1)	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)
Claus, Eric		2/25/07	MIP	\$ 375,000	\$ 750,000	\$ 1,500,000	
	8/7/07	8/7/07	ECLIIP				13,964
	3/5/07	3/5/07	LTIP				
	3/5/07	3/5/07	LTIP				24,797
Galgano, Brenda		2/25/07	MIP	\$ 114,125	\$ 228,250	\$ 456,500	
	8/7/07	8/7/07	ECLIIP				10,516
	3/5/07	3/5/07	LTIP				
	3/5/07	3/5/07	LTIP				6,237
Haub, Christian		2/25/07	MIP	\$ 387,500	\$ 775,000	\$ 1,550,000	
	8/7/07	8/7/07	ECLIIP				13,964
	3/5/07	3/5/07	LTIP				
	3/5/07	3/5/07	LTIP				13,977
Guldin, Andreas		5/1/07 (2)	MIP	\$ 175,500	\$ 351,000	\$ 702,000	
	8/7/07	8/7/07	ECLIIP				7,021
	5/1/07	5/1/07	LTIP				
	5/1/07	5/1/07	LTIP				43,744
	5/1/07	5/1/07	LTIP				
Philbert, Rebecca		2/25/07	MIP	\$ 114,125	\$ 228,250	\$ 456,500	
	8/7/07	8/7/07	ECLIIP				8,757
	3/5/07	3/5/07	LTIP				
	3/5/07	3/5/07	LTIP				6,237

(1)

The SCLIIP is a one time special award issued to Mr. Guldin in accordance with the terms of his employment agreement and in recognition for his role in negotiations for the Company s acquisition of Pathmark Stores, Inc. The E-CLIP is a special one-time award which is described in detail beginning on page C-12 under the heading The 2007 Executive Closing & Integration Incentive Plan (E-CLIP).

- (2) The amounts shown in column (e) reflect the minimum payment level under the Company s Annual Incentive Plan, which is 50% of the target amount shown in column (f). The amount shown in

column (g) is 200% of such target amount. These amounts are based upon the named executive officer's current salary and position. The actual payment earned for the award dated February 25, 2007 is disclosed under column (g) of the Summary Compensation Table on page C-14.

- (3) Mr. Guldin commenced employment with the Company on May 1, 2007, at which time he received an award under the MIP.
- (4) The amounts shown in column (i) reflect the target award for the NEO under the Company's long-term equity incentive plan. There is no minimum or threshold payment under this Plan. For a

detailed discussion of this plan, please refer to section heading LTIP on page C-7. The amounts shown in column (i) reflect the number of RSUs awarded to the executive under the Company's long-term equity incentive award plan, and represents 75% of the total award.

- (5) The amounts shown in column (k) reflect the number of stock options granted to the named executive officer under the Company's Long-Term Incentive Plan, and represents 25% of the total award. All options vest at a rate of 25% per year over the first four years of the ten-year option term.

- (6) The amounts shown in

column (l)
reflect the fair
market value
of the
Company's
Common
Stock on the
date of grant,
based upon the
closing market
price of the
Company's
Common
Stock on such
date as
reported in the
*Wall Street
Journal*.

- (7) The amounts
shown in
column (m)
are not actual
payments to
the executive
but, rather,
reflect the
dollar amount
for the grant
date fair value
calculated in
accordance
with FAS
123(R). See
footnote 13 to
the
Consolidated
Financial
Statements in
the Company's
Annual Report
on Form

10-K for the fiscal year ended February 23, 2008 for an explanation of the assumptions made by the Company in the valuation of these equity awards.

- (8) This amount reflects the special one-time award to Mr. Guldin in connection with his lead role in negotiations for the Pathmark acquisition, as more fully described under the heading The Special One-Time Award to Mr. Guldin on page C-13.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Agreements

The Company has entered into employment agreements with the following Named Executive Officers: Mr. Claus, Ms. Galgano, Mr. Guldin and Ms. Philbert. The Company does not have an employment agreement with Mr. Haub. The following is a summary of the principal provisions of the employment agreements with Mr. Claus, Ms. Galgano, Mr. Guldin and Ms. Philbert.

Term: The employment agreements with Ms. Galgano, Mr. Guldin and Ms. Philbert provide for automatic extensions of the employment period each month for successive 18-month periods unless either the Named Executive Officer or the Company gives written notice in advance not to extend. The employment agreement with Mr. Claus provides for the employment period to expire on August 14, 2008 but is subject to automatic extensions each year for an additional

12-month period unless either Mr. Claus or the Company gives written notice at least 6 months in advance not to extend. In addition, in the case of Mr. Claus, a non-extension of the employment period by the Company is treated in the same manner as a termination of employment by the Company during the employment period (and would, therefore, give rise to the applicable benefits described below depending on whether the nonextension was for Cause, Performance or Permanent and Total Disability or for none of these reasons).

Salary: The employment agreements provide for an annual base salary, to be reviewed by the Compensation Committee periodically (at intervals of not more than 12 months). As of the date of this proxy statement, the annual base salaries are: Mr. Claus \$800,000, Ms. Galgano \$480,000, Mr. Guldin \$450,000, Ms. Philbert \$510,000.

Annual Cash Incentive Award: The employment agreements provide that the NEO will be eligible to receive annually or otherwise any bonus awards which the Company or authorized committee of the Board determines to award. In the case of Mr. Claus, the target annual incentive compensation opportunity may not be less than 100% of his base salary and the maximum annual incentive compensation opportunity may not be less than 200% of his base salary. In the case of Mr. Guldin, the annual incentive compensation opportunity for Fiscal Year 2007 is 77.7% of annual base salary (\$350,000).

In addition, Mr. Guldin's employment agreement provides that he will participate in the 2007 Long Term Incentive Plan at a total target of \$1,200,000.00, which is 150% of his total annual cash compensation (base salary plus annual incentive target), and that effective May 1, 2007 he received a grant of 15,000 performance Restricted Stock Units.

Benefit Programs: The employment agreements provide that the Named Executive Officer will receive such benefits and awards, including without limitation stock options and restricted share awards, as the Compensation Committee shall determine and will be eligible to participate in all employee benefit plans and programs of the Company from time to time in effect for the benefit of senior executives of the Company. The employment agreement with Mr. Claus specifically provides for his continued participation in the Company's SERP and for his service with The Great Atlantic & Pacific Tea Company of Canada Limited to count for purposes of the SERP. In the case of Mr. Guldin, he is permitted to take up to 20 business days of unpaid leave per calendar year, and he will be reimbursed for housing costs for up to three years from May 1, 2007.

Termination of Employment Due to Permanent and Total Disability: If the NEO incurs a Permanent and Total Disability (as defined in the employment agreement), the Company may terminate the NEO's employment by giving at least 45 days' written notice (except that Mr. Guldin

and Ms. Philbert are entitled to 14 day s notice). If the NEO s employment is terminated by reason of Permanent and Total Disability, he or she will be entitled to:

base salary and
other
compensation
and benefits to
the extent
actually earned
through the
date of
termination;
and

any
reimbursement
amounts owed.

A Permanent and Total Disability would exist if the NEO is unable to substantially carry out his or her duties by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Termination of Employment By Death: If the NEO dies during the employment period, his or her estate or beneficiaries will be entitled to:

base salary and
other
compensation
and benefits to
the extent
actually earned
through the
date of death;

any
reimbursement
amounts owed;
and

any death
benefits owed
under the
Company s
employee
benefit plans.

Termination of Employment for Cause: The Company may terminate the NEO s employment for Cause. In the case of Ms. Galgano and Ms. Philbert (but not Mr. Claus or Mr. Guldin), such a termination for Cause requires that the Company give at least 45 days written notice and 14 days written notice, respectively. Cause is defined to mean (i) the NEO willfully, substantially and continually fails to perform his or her duties, (ii) the NEO willfully fails to comply with reasonable instructions of certain designated persons, (iii) the NEO willfully engages in conduct which is or would reasonably be expected to be materially and demonstrably injurious to the Company, (iv) the NEO willfully

engages in an act or acts of dishonesty resulting in material personal gain to the NEO at the expense of the Company, (v) the NEO is convicted of a felony, (vi) the NEO engages in an act or acts of gross malfeasance in connection with his or her employment, (vii) the NEO commits a material breach of the confidentiality provision of the employment agreement or (viii) the NEO exhibits demonstrable evidence of alcohol or drug abuse having a substantial adverse effect on his or her job performance. If the Company terminates the NEO's employment for Cause, he or she will be entitled to:

base salary and
any other
compensation
and benefits to
the extent
actually earned
through the
date of
termination;

any
reimbursement
amounts owed;
and

in the case of
Mr. Claus,
outstanding
stock options
held on the
date of
termination, to
the extent then
exercisable,
shall remain
exercisable for
a period of 30
days following
such
termination
(but in no event
beyond the
expiration date
of the
applicable
option).

Termination by NEO Without Good Reason: The NEO may terminate his or her employment without Good Reason (as defined below) by giving the Company at least 45 days' written notice (and 14 days' written notice in the case of Mr. Guldin and Ms. Philbert). If the NEO terminates his or her employment without Good Reason, he or she will be entitled to:

base salary and
any other
compensation
and benefits to
the extent
actually earned
through the
date of
termination;
and

any
reimbursement
amounts owed.

Termination by Company Without Cause: In the case of Mr. Claus, Mr. Guldin and Ms. Philbert, the Company may terminate the NEO's employment other than for Cause, Permanent and Total Disability or Performance, by giving at least 45 days' written notice to Mr. Claus, and 14 days' written notice to Mr. Guldin and Ms. Philbert. In the case of Ms. Galgano, the Company may terminate employment other than for Cause or for Permanent and Total Disability by giving at least 45 days' written notice. The benefits payable upon a termination of employment without Cause depend upon whether the termination occurs in connection with a Change of Control as described below.

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Termination by NEO for Good Reason: The NEO may terminate his or her employment for Good Reason by giving the Company at least 45 days written notice (or 14 days written notice in the case of Mr. Guldin or Ms. Philbert), provided he or she gives such notice within 3 months of the occurrence of the event constituting Good Reason. Good Reason is defined as:

a significant
reduction in the
scope of
authority,
functions,
duties or
responsibilities
of the NEO;

any reduction
in base salary;
or