

GREAT ATLANTIC & PACIFIC TEA CO INC  
Form S-4/A  
October 09, 2007

As filed with the Securities and Exchange Commission on October 9, 2007

Registration No. 333-143212

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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AMENDMENT NO. 4  
TO

FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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The Great Atlantic & Pacific Tea Company, Inc.  
(Exact name of registrant as specified in its charter)

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Maryland (State or other jurisdiction of incorporation or organization)	5411 (Primary Standard Industrial Classification Code Number)	13-1890974 (I.R.S. Employer Identification No.)
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Two Paragon Drive  
Montvale, New Jersey 07645  
(201) 573-9700  
(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

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Allan Richards  
Senior Vice President, Human Resources, Labor Relations, Legal Services & Secretary  
The Great Atlantic & Pacific Tea Company, Inc.  
Two Paragon Drive  
Montvale, New Jersey 07645  
(201) 573-9700  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*With copies to:*

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(415) 391-0600

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***Approximate date of commencement of proposed sale of the securities to the public:*** As soon as practicable after this Registration Statement is declared effective and upon completion of the merger described in the enclosed joint proxy statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**PRELIMINARY SUBJECT TO COMPLETION DATED OCTOBER 9, 2007**

**TO THE STOCKHOLDERS OF  
THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. AND  
PATHMARK STORES, INC.**

**YOUR VOTE IS VERY IMPORTANT**

On March 4, 2007, Pathmark Stores, Inc. ( *Pathmark* ), The Great Atlantic & Pacific Tea Company, Inc. ( *A&P* ) and Sand Merger Corp., a wholly owned subsidiary of A&P, entered into a merger agreement, pursuant to which A&P will acquire Pathmark and its subsidiaries through a merger. Upon completion of the merger, Pathmark stockholders will be entitled to receive, without interest, \$9.00 in cash and 0.12963 shares of A&P common stock for each share of Pathmark common stock that they own. Upon completion of the merger, we estimate that Pathmark's former stockholders will own approximately 14% of the then-outstanding common stock of A&P on a fully-diluted basis. A&P's stockholders will continue to own their existing shares, which will not be affected by the merger.

The merger cannot be completed unless (i) Pathmark stockholders approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, and (ii) A&P stockholders approve the issuance of A&P's common stock pursuant to the merger agreement. We are each holding a special meeting of stockholders in order to obtain the stockholder approvals necessary to complete the merger. The times, dates and places of the special meetings to consider and vote upon the proposals are as follows:

<b>For A&amp;P Stockholders:</b>	<b>For Pathmark Stockholders:</b>
November 8, 2007, 9:00 a.m.,	November 8, 2007, 10:00 a.m.,
Eastern Standard Time	Eastern Standard Time
The Woodcliff Lake Hilton	Pathmark Corporate Headquarters
200 Tice Boulevard	200 Milik Street
Woodcliff Lake, New Jersey 07677	Carteret, New Jersey 07008

After careful consideration, each of our boards of directors has determined that the merger agreement and the transactions contemplated thereby are fair to and in the best interests of our respective stockholders. **Accordingly, the A&P board of directors unanimously recommends that A&P stockholders vote FOR the proposal to approve the issuance of shares of A&P common stock pursuant to the merger agreement and FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies. The Pathmark board of directors unanimously recommends that the Pathmark stockholders vote FOR the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger and FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.**

The affirmative vote of a majority of the votes cast by holders of A&P common stock at the special meeting is required to approve the issuance of A&P common stock in connection with the merger, *provided* that the total votes cast must represent a majority of the outstanding shares of A&P common stock entitled to vote on the matter.

The affirmative vote of a majority of the outstanding shares of Pathmark common stock is required to adopt the merger agreement and approve the transactions contemplated thereby, including the merger.

The joint proxy statement/prospectus attached to this letter provides you with information about A&P, Pathmark, the proposed merger and the special meetings of each of our companies' stockholders. **In particular, please see the section titled Risk Factors of the accompanying joint proxy statement/prospectus which contains a description**

**of the risks that you should consider in evaluating the proposals.** You may also obtain more information about A&P and Pathmark from documents each party has filed with the Securities and Exchange Commission. Shares of A&P

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common stock are listed on the New York Stock Exchange under the symbol GAP. Shares of Pathmark common stock are listed on the NASDAQ Global Market under the symbol PTMK.

**Your vote is important.** Whether or not you plan to attend your respective company's special meeting, please take the time to vote by completing, signing and dating the enclosed proxy card and returning it in the appropriate envelope provided, or in the case of A&P stockholders, use the Internet or telephone proxy authorization options detailed on the proxy card. If your shares are held in street name by a bank, brokerage firm or nominee you should follow the instructions of your bank, brokerage firm or nominee, regarding the voting of your shares.

Thank you for your cooperation and continued support.

Allan Richards	John T. Standley
Senior Vice President, Human Resources, Labor Relations, Legal Services & Secretary Great Atlantic & Pacific Tea Company, Inc.	Chief Executive Officer Pathmark Stores, Inc.

**Neither the SEC nor any state securities commission has approved or disapproved the securities to be issued in connection with the merger or determined if the accompanying joint proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

Information contained in this document is subject to completion or amendment. A registration statement relating to these securities has been filed with the SEC. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This joint proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under securities laws of such state.

THIS JOINT PROXY STATEMENT/PROSPECTUS IS DATED OCTOBER 9, 2007, AND IS EXPECTED TO BE FIRST MAILED TO STOCKHOLDERS OF A&P AND PATHMARK ON OR ABOUT OCTOBER 11, 2007.

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**THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.**  
2 Paragon Drive  
Montvale, New Jersey 07645

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 8, 2007**

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

We will hold a special meeting of stockholders of The Great Atlantic & Pacific Tea Company, Inc., a Maryland corporation ( *A&P* ), at The Woodcliff Lake Hilton, 200 Tice Boulevard, Woodcliff Lake, New Jersey, on November 8, 2007, at 9:00 a.m., Eastern Standard Time, for the following purposes:

1. to consider and vote on a proposal to approve the issuance of A&P common stock pursuant to the Agreement and Plan of Merger, dated as of March 4, 2007, by and among A&P, Sand Merger Corp. ( *Merger Sub* ) (a wholly owned subsidiary of A&P established for the purpose of effecting the merger) and Pathmark Stores, Inc. ( *Pathmark* ), as amended from time to time,

which provides for the merger of Merger Sub with and into Pathmark, with Pathmark as the surviving corporation;

2. to consider and vote on a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies; and
3. to transact any other business as may properly come before the meeting and any adjournments or postponements thereof.

The A&P board of directors has fixed October 8, 2007, 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 a majority of the votes cast by holders of A&P common stock at the special meeting is required to approve Proposal 1, *provided* that the total votes cast must represent a majority of the outstanding shares of A&P common stock entitled to vote on the proposal. The adoption of Proposal 2 requires the affirmative vote of a majority of the votes cast by the holders of A&P common stock at the special meeting.

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**Whether or not you plan to attend the meeting, please either complete, sign and return the accompanying proxy card to A&P 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*

October 9, 2007

**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.**

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**PATHMARK STORES, INC.  
200 MILIK STREET  
CARTERET, NEW JERSEY 07008**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 8, 2007**

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To the stockholders of PATHMARK STORES, INC.:

A special meeting of stockholders of Pathmark Stores, Inc. ( *Pathmark* ), a Delaware corporation, will be held on November 8, 2007, at 10:00 a.m., Eastern Standard Time, at Pathmark's corporate headquarters, 200 Milik Street, Carteret, New Jersey 07008, for the following purposes:

1. to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated March 4, 2007, by and among Pathmark, The Great Atlantic & Pacific Tea Company, Inc. ( *A&P* ) and Sand Merger Corp. ( *Merger Sub* ), and the transactions contemplated by the merger agreement, as amended from time to time, including the merger, pursuant to which Merger Sub would merge with and into Pathmark and each outstanding share of Pathmark common stock would be converted into the right to receive, without interest, \$9.00 in cash and 0.12963 shares of A&P common stock;
2. to consider and vote upon a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies; and
3. to consider and vote on such other matters as may properly come before the special meeting or any adjournment or postponement thereof.

Only stockholders of record as of the close of business on October 8, 2007, are entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof. A list of these stockholders will be available for inspection by stockholders of record during regular business hours at Pathmark's corporate headquarters, 200 Milik Street, Carteret, New Jersey 07008, for ten days prior to the date of the special meeting. All stockholders of record are cordially invited to attend the special meeting in person. Your vote is important, regardless of the number of shares of Pathmark common stock that you own.

The adoption of the merger agreement requires the approval of the holders of a majority of the outstanding shares of our common stock entitled to vote on the matter. **The Pathmark board of directors unanimously recommends that the Pathmark stockholders vote FOR the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger.**

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 shares of Pathmark common stock represented in person or by proxy at the special meeting and entitled to vote thereon. **The Pathmark board of directors unanimously recommends that the Pathmark stockholders vote FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.**

Even if you plan to attend the meeting in person, we request that you complete, sign, date and return the enclosed proxy card and thus ensure that your shares will be represented at the special meeting even if you become unable to

attend. If you sign, date and return your proxy card without indicating how you wish to vote, the shares represented by your proxy will be voted FOR the approval and adoption of the merger agreement and transactions contemplated thereby, including the merger, and FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies and will be voted in accordance with the recommendations of our board of directors on any other matters properly brought before the meeting for a vote. If you hold your shares through a bank, brokerage firm or

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nominee, you should follow the instructions of your bank, brokerage firm or nominee regarding voting your shares.

Whether you attend the meeting or not, you may revoke a proxy at any time before it is voted at the meeting. You may do so by executing and returning a proxy card dated later than the previous one or by attending the special meeting and voting in person. Simply attending the meeting, however, will not revoke your proxy. 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 revocation of proxies. If your bank, brokerage firm or nominee allows you to submit a proxy by telephone or the Internet, you may be able to change your vote by submitting a subsequent proxy by telephone or the Internet.

By Order of the Board of Directors,

Marc A. Strassler

*Senior Vice President, Secretary and General Counsel*

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### References to Additional Information

The accompanying joint proxy statement/prospectus incorporates by reference important business and financial information about A&P and Pathmark from documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in the accompanying joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

<b>The Great Atlantic &amp; Pacific Tea Company, Inc.</b>	<b>Pathmark Stores, Inc.</b>
Two Paragon Drive	200 Milik Street
Montvale, New Jersey 07645	Carteret, New Jersey 07008
Telephone: (201) 573-9700	Telephone: (732) 499-3000
Attention: Secretary	Attention: Secretary

*If you would like to request documents, please do so by November 1, 2007 in order to receive them before the special meetings.*

See Where You Can Find More Information.

### About This Document

This document, which forms part of a registration statement on Form S-4 filed with the SEC by A&P, constitutes a prospectus of A&P under Section 5 of the Securities Act of 1933, as amended, and the rules thereunder, with respect to the shares of A&P common stock to be issued to the holders of Pathmark common stock in connection with the merger. This document also constitutes (i) a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, and the rules thereunder; (ii) a notice of meeting with respect to A&P's special meeting of stockholders, at which A&P stockholders will consider and vote upon the issuance of shares of A&P common stock to Pathmark stockholders on the terms and conditions set forth in the merger agreement; and (iii) a notice of meeting with respect to Pathmark's special meeting of stockholders, at which Pathmark stockholders will consider and vote upon adoption of the merger agreement and the transactions contemplated thereby, including the merger.

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**QUESTIONS AND ANSWERS ABOUT VOTING PROCEDURES  
FOR THE SPECIAL MEETINGS**

*The questions and answers below highlight only selected procedural information from this document. They do not contain all of the information that may be important to you. You should read carefully the entire document and the additional documents incorporated by reference into this document because each contains important information.*

**Q: What are the proposals upon which I am being asked to vote?**

A: *A&P Stockholders.* Stockholders of The Great Atlantic & Pacific Tea Company, Inc. ( *A&P* ) are being asked to vote (i) to approve the issuance of shares of A&P common stock pursuant to the Agreement and Plan of Merger, dated March 4, 2007, as amended (the *merger agreement* ), by and among Pathmark Stores, Inc. ( *Pathmark* ), A&P and Sand Merger Corp. ( *Merger Sub* ), under which A&P will acquire Pathmark and its subsidiaries through the merger of Merger Sub with and into Pathmark (the *merger* ), and (ii) to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.

*Pathmark Stockholders.* Stockholders of Pathmark are being asked to vote (i) to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, and (ii) to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.

**Q: What vote of Pathmark stockholders is required for adoption of the merger agreement?**

A: Adoption of the merger agreement and the transactions contemplated thereby, including the merger, requires the affirmative vote of a majority of the outstanding shares of Pathmark common stock entitled to vote. Therefore, if a Pathmark stockholder abstains or fails to vote, it will have the same effect as voting against the merger agreement. You are entitled to vote on the proposal to approve and adopt the merger agreement and the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies if you held Pathmark common stock at the close of business on the Pathmark record date, which is October 8, 2007. On that date, 52,558,999 shares of Pathmark common stock were outstanding and entitled to vote.

The largest stockholders of Pathmark, Yucaipa Corporate Initiatives Fund I, LP; Yucaipa American Alliance (Parallel) Fund I, LP and Yucaipa American Alliance Fund I, LP, which we refer to collectively as the *Yucaipa Investors*, have agreed to vote the shares of Pathmark common stock that they own as of the Pathmark record date in favor of adoption of the merger agreement and the transactions contemplated thereby, including the merger, *provided* that these voting obligations do not apply to any shares owned by the Yucaipa Investors in excess of 33% of the outstanding Pathmark common stock. The remaining shares owned by the Yucaipa Investors may be voted in the Yucaipa Investors' discretion, although the Yucaipa Investors have expressed their present intention to vote all of the Pathmark shares they own (approximately 38% of the outstanding Pathmark common stock as of the Pathmark record date) in favor of the adoption of the merger agreement.

**Q: What vote of Pathmark stockholders is required for approval of the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies?**

A: 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 shares of Pathmark common stock represented in person or by proxy at the special meeting and entitled to vote thereon.



**Q: What vote of A&P stockholders is required for approval of the proposal to issue shares of A&P common stock pursuant to the merger agreement?**

A: The proposal to issue shares of A&P common stock pursuant to the merger agreement must be approved by a majority of the votes cast by the holders of A&P common stock, *provided* that the total votes cast on the proposal must represent at least a majority of the outstanding shares of A&P common stock entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, *provided* that the total votes cast on the proposal represent at least a majority of all shares entitled to vote on the proposal, an A&P stockholder's failure to vote will not affect the outcome of the vote to approve the issuance of A&P common stock in connection with the merger, assuming more than a majority of the outstanding shares are voted on the proposal. Because the New York Stock Exchange (the *NYSE*) treats abstentions as votes cast with respect to the proposal to issue shares of A&P common stock pursuant to the merger agreement, an abstention will have the same effect as a vote *AGAINST* the proposal. A&P stockholders are entitled to vote on the proposal to approve the issuance of A&P common stock if they held A&P common stock at the close of business on the A&P record date, which is October 8, 2007. On the A&P record date, 41,960,817 shares of A&P common stock were outstanding and entitled to vote.

Tengelmann Warenhandelsgesellschaft KG ( *Tengelmann* ) has agreed to vote all of its shares of A&P common stock, constituting approximately 53% of the outstanding A&P common stock as of the A&P record date, in favor of the issuance of A&P common stock in the merger. This means that the approval of the issuance of the A&P common stock pursuant to the merger agreement is assured.

**Q: What vote of A&P stockholders is required for approval of the proposal to adjourn or postpone the meeting, if necessary, to solicit additional proxies?**

A: 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 A&P common stock at the special meeting.

**Q: When do you expect the merger to be completed?**

A: We expect to complete the merger after (i) the Pathmark stockholders adopt the merger agreement and the transactions contemplated thereby, including the merger, at the special meeting, (ii) the A&P stockholders approve the proposal to issue shares of A&P common stock pursuant to the merger agreement at the A&P special meeting, and (iii) we receive all necessary regulatory approvals, including the expiration or termination of the waiting period under the HSR Act, including any extension of the waiting period. We currently anticipate completing the merger in the second half of A&P's 2007 fiscal year ending February 23, 2008.

**Q: If my shares are held in street name by a bank, brokerage firm or nominee, will they vote my shares for me?**

A: *A&P Stockholders*. You should instruct your bank, brokerage firm or nominee to vote your shares, following the directions they provide. If you do not instruct your bank, brokerage firm or nominee, they will generally not have the discretion to vote your shares. Because the approval of the proposal to issue A&P common stock in connection with the merger requires an affirmative vote of a majority of the votes cast by holders of A&P common stock at the special meeting, the failure to vote your shares will not affect the outcome of the vote on the proposal to approve the issuance of A&P common stock in connection with the merger, *provided* that the total votes cast on the proposal represent at least a majority of all shares entitled to vote on the proposal. Because 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 A&P common stock at the special meeting, and because brokers do not have discretionary authority to vote on the proposal, the failure to instruct your broker how to vote your shares will have no effect on the approval of that proposal.

*Pathmark Stockholders.* You should instruct your bank, brokerage firm or nominee to vote your shares, following the directions they provide. If you do not instruct your bank, brokerage firm or nominee, they will generally not have the discretion to vote your shares. Because the adoption of the merger agreement requires an affirmative vote of a majority of the outstanding shares of Pathmark common stock for approval, the failure to vote your shares will have the same effect as votes cast **AGAINST** adoption of the merger agreement. Because the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares of common stock present or represented at the special meeting and entitled to vote thereon, and because brokers do not have discretionary authority to vote on the proposal, the failure to instruct your broker how to vote your shares will have no effect on the approval of that proposal.

**Q: What do I need to do now?**

A: *A&P Stockholders.* After carefully reading and considering the information contained in this joint proxy statement/prospectus, please fill out and sign the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the A&P special meeting. Your signed proxy card will instruct the persons named on the card to vote your shares at the special meeting as you direct on the card. If you sign and send in your proxy card and do not indicate how you want your shares to be voted, your proxy will be voted **FOR** the approval of each of (1) the A&P proposal to approve the issuance of A&P common stock in connection with the merger, and (2) the A&P proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies. You may also authorize a proxy by telephone or through the Internet by following the instructions included with your 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. **YOUR VOTE IS VERY IMPORTANT.**

*Pathmark Stockholders.* After carefully reading and considering the information contained in this joint proxy statement/prospectus, please fill out and sign the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the Pathmark special meeting. Your signed proxy card will instruct the persons named on the card to vote your shares at the Pathmark special meeting as you direct on the card. If you sign and send in your proxy card and do not indicate how you want your shares to be voted, your proxy will be voted **FOR** the approval of each of (1) the Pathmark proposal to adopt the merger agreement and the transactions contemplated thereby, including the merger, and (2) the Pathmark proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies. If you hold shares through a bank, brokerage firm or nominee, you should follow the instructions of your bank, brokerage firm or nominee regarding voting your shares. **YOUR VOTE IS VERY IMPORTANT.**

**Q: May I change my vote after I have mailed my signed proxy card?**

A: You may change your vote at any time before your proxy is voted at the A&P special meeting or the Pathmark special meeting, as the case may be. You can do this in one of the following ways. First, you can send a written notice stating that you want to revoke your proxy to:

*In the case of A&P Stockholders:*

Allan Richards  
Senior Vice President, Human Resources, Labor Relations, Legal Services & Secretary  
The Great Atlantic & Pacific Tea Company, Inc.  
Two Paragon Drive  
Montvale, New Jersey 07645

*In the case of Pathmark Stockholders:*

Marc A. Strassler  
Senior Vice President, Secretary and General Counsel  
Pathmark Stores, Inc.  
200 Milik Street  
Carteret, New Jersey 07008

Second, you can complete and submit a new, later-dated proxy card. Third, you can attend the A&P special meeting or the Pathmark special meeting, as the case may be, and vote in person. Simply attending the meeting, however, will not revoke your proxy; you must vote at the meeting. Fourth, A&P stockholders, but not Pathmark stockholders, can authorize a proxy by telephone or through the Internet at a later time, but not later than 11:59 p.m. (Eastern Standard Time) on November 7, 2007 or the day before the meeting date if the special meeting is adjourned or postponed.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

**Q: Should I send in my Pathmark or A&P stock certificates now?**

A: No. After the merger is completed, Pathmark stockholders will receive written instructions for exchanging their stock certificates.

A&P stockholders will continue to hold their A&P stock certificates following the merger and are not required to take any action with respect to their A&P stock certificates.

**Q: Who can help answer my questions?**

A: *A&P Stockholders.* If you have any questions about the A&P special meeting or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card, please contact:

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

or:

Mackenzie Partners, Inc.  
105 Madison Avenue  
New York, New York 10016  
Telephone: (800) 322-2885

*Pathmark Stockholders.* If you have any questions about the Pathmark special meeting or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card, please contact:

Investor Relations  
Pathmark Stores, Inc.  
200 Milik Street  
Carteret, New Jersey 07008  
Telephone: (732) 499-3000

or:

Mellon Investor Services LLC  
480 Washington Boulevard, 27th Floor  
Jersey City, New Jersey 07310  
Telephone: (800) 580-6412

## SUMMARY

The following summary highlights selected information from this joint proxy statement/ prospectus and may not contain all of the information that may be important to you. Accordingly, stockholders are encouraged to carefully read this entire joint proxy statement/prospectus, its annexes and the documents referred to or incorporated by reference into this joint proxy statement/prospectus. Each item in this summary includes a page reference directing you to a more complete description of that item.

### **The Merger (Page 40)**

On March 4, 2007, A&P, Merger Sub, a newly formed, wholly owned subsidiary of A&P, and Pathmark entered into the merger agreement, pursuant to which A&P will acquire Pathmark and its subsidiaries through the merger of Merger Sub with and into Pathmark. After the merger, Pathmark will be the surviving corporation and a wholly owned subsidiary of A&P. Shares of A&P common stock received by Pathmark stockholders in the merger will be listed on the NYSE under the symbol GAP. After completion of the merger, shares of A&P common stock will continue to be traded on the NYSE, but shares of Pathmark common stock will no longer be publicly listed or traded. Upon completion of the merger, approximately 86% of A&P common stock will be held by existing A&P stockholders and approximately 14% will be held by former Pathmark stockholders on a fully diluted basis.

### **Merger Consideration (Page 107)**

#### *Pathmark Common Stock*

Pursuant to the merger, each share of Pathmark common stock will be converted into the right to receive (i) 0.12963, which we refer to as the *exchange ratio*, of a share of A&P common stock and (ii) \$9.00 in cash, which we refer to as the *per share cash consideration*, without interest. No fractional shares of A&P common stock will be issued in connection with the merger; holders of Pathmark common stock will receive cash in lieu of any fractional shares of A&P common stock they otherwise would have received in the merger.

The exchange ratio is a fixed ratio, which means that it will not change between now and the time the merger is completed. Therefore, the market value of the A&P common stock received by Pathmark stockholders in the merger will depend on the market price of A&P common stock at the time the merger is completed.

For example, a Pathmark stockholder owning 1,000 shares of Pathmark common stock would receive total consideration of \$9,000.00 in cash and 129 shares of A&P common stock, plus a cash payment, in lieu of the fractional interest of 0.63 shares of A&P common stock that would otherwise be receivable, determined by multiplying (i) the number of fractional shares of A&P common stock otherwise receivable by such holder, or 0.63 shares in this example, by (ii) the closing price of the A&P common stock on the NYSE on the trading day immediately prior to the closing date.

#### *Treatment of Pathmark Stock Options, Warrants and Equity-Based Awards*

Outstanding Pathmark stock options granted under Pathmark stock compensation plans will become fully vested and exercisable no less than fifteen days prior to the closing date of the merger. Outstanding Pathmark stock options at the closing date of the merger and granted under Pathmark stock compensation plans, other than certain options described in the next paragraph, will be canceled. Any stock options with exercise prices less than the per share closing price of Pathmark common stock on the last trading day immediately prior to the closing date will entitle their holders to receive a lump sum cash payment to be paid as soon as practicable after the completion of the merger, in an amount based on the Pathmark closing price, as described in more detail under Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Treatment of Pathmark Stock Options, Warrants and Other Equity-Based Awards. Any stock options with



exercise prices equal to or greater than the Pathmark closing price will be canceled for no consideration.

With respect to Pathmark stock options that were granted under Pathmark stock plans prior to June 9, 2005, Pathmark has agreed to use commercially reasonable efforts to obtain consents to cancel any such options with exercise prices less than the Pathmark closing price on the last trading day immediately prior to the closing date in exchange for a lump sum cash payment as described in the previous paragraph. Any such Pathmark stock options not canceled and cashed out, or with exercise prices equal to or greater than the Pathmark closing price, will be converted into an option to purchase, on the same terms and conditions, a number of shares of A&P common stock and at an exercise price determined as described under Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Treatment of Pathmark Stock Options, Warrants and Other Equity-Based Awards.

Outstanding awards of Pathmark restricted stock units or restricted stock will become fully vested and will be converted into the right to receive a lump sum cash payment equal to the product of (a) the number of shares of Pathmark common stock subject to the award immediately prior to the closing and (b) the closing price of Pathmark common stock on the last trading day before the closing date, as described in more detail under Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Treatment of Pathmark Stock Options, Warrants and Other Equity- Based Awards.

The Yucaipa Investors' existing Series A and Series B Warrants to purchase Pathmark common stock will be exchanged for warrants to purchase A&P common stock. See Adoption of the Merger Agreement (Pathmark Proposal 1) Yucaipa Warrant Agreement.

A&P will assume the obligations of Pathmark under the Warrant Agreement dated as of September 19, 2000 between Pathmark and ChaseMellon Shareholder Services, LLC (the *2000 Warrant Agreement* ), and the warrants issued thereunder, so that the holders of the assumed warrants will have the right to purchase A&P common stock on the terms and subject to the conditions set forth in the 2000 Warrant Agreement and the warrants thereunder.

### **Recommendations of the Boards of Directors**

*A&P (page 67)*. The A&P board of directors has determined that entering into the merger agreement is advisable and in the best interests of A&P and has unanimously approved the merger agreement and the transactions it contemplates, recommended that its stockholders approve the issuance of A&P common stock pursuant to the merger agreement, and declared entering into the merger agreement advisable. For the factors considered by the A&P board of directors in reaching its decision to approve, and declare the advisability of entering into, the merger agreement and the transactions it contemplates, see Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger A&P's Reasons for the Merger; Recommendation of the A&P Board of Directors. The A&P board of directors unanimously recommends that the A&P stockholders vote FOR the proposal to approve the issuance of shares of A&P common stock pursuant to the merger agreement, and FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.

*Pathmark (page 63)*. The Pathmark board of directors has determined that the merger is fair to and in the best interests of Pathmark and its stockholders and has unanimously approved the merger agreement and the transactions it contemplates, including the merger, and has declared the merger agreement advisable. For the factors considered by the Pathmark board of directors in reaching its decision to approve, and declare the advisability of entering into, the merger agreement and the transactions it contemplates, see Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Pathmark's Reasons for the Merger; Recommendation of the Pathmark Board of Directors. The Pathmark board of directors unanimously recommends that the Pathmark stockholders vote FOR the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, and FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.



## Opinions of Financial Advisors

*A&P (page 79)*. In deciding to approve the merger and advise that A&P stockholders approve the share issuance, the A&P board of directors considered the opinion of its financial advisor, J.P. Morgan Securities Inc., which we refer to as *JPMorgan*, provided to the A&P board of directors on March 4, 2007, that as of the date of the opinion, and based on and subject to the qualifications, assumptions and limitations set forth therein, the merger consideration to be paid by A&P was fair, from a financial point of view, to A&P. A copy of the opinion of JPMorgan is attached to this document as Annex G. A&P stockholders should read the opinion completely and carefully to understand, among other things, the assumptions made, procedures followed, matters considered and limits on the review undertaken by JPMorgan in providing its opinion. Additionally, A&P agreed to pay JPMorgan a transaction fee in connection with the merger, a significant portion of which is payable upon completion of the merger. The JPMorgan opinion is not a recommendation as to how any stockholder of A&P should vote with respect to the A&P share issuance or any other matter.

*Pathmark (page 69)*. In deciding to approve the merger and advise that Pathmark stockholders approve and adopt the merger agreement, the Pathmark board of directors considered the opinion of its financial advisor, Citigroup Global Markets Inc., which we refer to as *Citigroup*, provided to the Pathmark board of directors on March 4, 2007, that as of the date of the written opinion and based upon and subject to the considerations and limitations set forth in its written opinion, its work described in the written opinion and other factors it deemed relevant, the merger consideration was fair, from a financial point of view, to the holders of Pathmark common stock (other than the Yucaipa Group, as defined below). A copy of the opinion of Citigroup is attached to this document as Annex H. Pathmark stockholders should read the opinion completely and carefully to understand, among other things, the assumptions made, procedures followed, matters considered and limits on the review undertaken by Citigroup in providing its opinion. Additionally, Pathmark agreed to pay Citigroup a transaction fee in connection with the merger, a significant portion of which is payable upon completion of the merger. The Citigroup opinion is not a recommendation as to how any stockholder should vote with respect to the proposal to approve and adopt the merger agreement or any other matter.

## Interests of Certain Persons in the Merger (Page 85)

Some of the members of A&P's and Pathmark's management, certain members of their boards of directors and certain of their significant stockholders have interests in the merger that are different from, or in addition to, the interests of A&P and Pathmark stockholders generally.

These interests include the right of certain of Pathmark's executive officers to receive severance payments and benefits under the terms of existing severance agreements and the acceleration of vesting of Pathmark stock options and other equity-based awards as a result of the merger.

The Yucaipa Companies LLC ( *Yucaipa Companies* ), an affiliate of the Yucaipa Investors, will receive a fee in connection with termination of the Management Services Agreement dated March 23, 2005 with Pathmark (the *Management Services Agreement* ) and Yucaipa Advisors, LLC ( *Yucaipa Advisors* ), also an affiliate of the Yucaipa Investors, will receive a transaction fee for services rendered in connection with the merger. In addition, warrants to purchase Pathmark common stock owned by the Yucaipa Investors will be converted into warrants to purchase A&P common stock and the Yucaipa Investors will receive certain registration rights for A&P shares acquired by the Yucaipa Investors in connection with the merger and those issuable upon conversion of the Yucaipa Investors warrants.

In addition, subject to certain conditions, in connection with the merger, Gregory Mays, a director of Pathmark, will be elected by the existing A&P directors to fill the existing vacant position on the A&P board of directors without stockholder action, as provided for under the director election provisions in accordance with the bylaws of A&P and Maryland law.



The Pathmark board of directors was aware of these interests and considered them, among other matters, in approving and declaring the advisability of the merger agreement.

The largest stockholder of A&P, Tengelmann, has entered into a stockholder agreement with A&P whereby Tengelmann will have certain approval, registration, preemptive and other rights after the merger as described in more detail under Adoption of the Merger Agreement (Pathmark Proposal 1) Tengelmann Stockholder Agreement. Tengelmann and A&P have also agreed to negotiate in good faith to enter into a services agreement for services rendered by Tengelmann to A&P from time to time in exchange for reasonable compensation as agreed by Tengelmann and A&P.

The A&P board of directors was aware of these interests and considered them, among other matters, in approving and declaring the advisability of the merger agreement and the A&P share issuance.

### **Directors and Officers Following Completion of the Merger (Page 109)**

Following the merger, Christian Haub, Executive Chairman of A&P, will continue as Executive Chairman of A&P; Eric Claus, President and CEO of A&P, will also maintain those same positions at A&P. Four directors who were serving on A&P's board immediately prior to the closing of the merger and were not designated for nomination by Tengelmann will continue in their current positions and four directors will be designated for nomination to A&P's board by Tengelmann. Gregory Mays, a director of Pathmark, will be elected to the A&P board of directors by the existing A&P directors, subject to certain conditions, as provided for under the bylaws of A&P and Maryland law.

### **Financing (Page 95)**

A&P estimates that the total amount of funds necessary to pay the cash portion of the merger consideration will be approximately \$485.5 million. A&P expects that this amount will be provided through a combination of (i) \$190.0 million of net cash proceeds from the sale of 6,350,000 of its shares of Metro, Inc. ( *Metro* ) common stock, which A&P received in connection with the August 2005 sale of its Canadian operations to Metro, a Canadian supermarket and pharmacy operator, and (ii) up to \$780.0 million in senior secured notes (or, if the offering of senior secured notes is not completed on or prior to the closing of the merger, up to \$780.0 million under a senior secured bridge credit facility). On March 13, 2007, A&P sold 6,350,000 shares of its holdings in Metro for net cash proceeds of approximately \$203.5 million. A&P continues to hold approximately 11.7 million Metro shares. The merger is not conditioned on receipt of financing by A&P. Bank of America, N.A. ( *Bank of America* ), Banc of America Bridge LLC ( *Banc of America Bridge* ), Banc of America Securities LLC ( *BAS* ), Lehman Brothers Commercial Bank ( *LBCB* ), Lehman Brothers Inc. ( *Lehman* ) and Lehman Commercial Paper Inc. ( *LCPI* ) have entered into a commitment letter with A&P whereby (i) Bank of America has committed to provide a \$615.0 million senior secured revolving credit facility (the *ABL Facility* ) to finance the working capital of A&P and certain of its subsidiaries (including Pathmark) upon consummation of the merger and (ii) Banc of America Bridge and LBCB have severally committed to provide in the aggregate up to \$780.0 million of senior secured loans (the *Bridge Facility* and together with the ABL Facility, the *Facilities* ) as bridge or interim financing to senior secured notes which may be issued by A&P and/or certain of its subsidiaries for the purpose of refinancing advances made under the Bridge Facility.

### **Governmental and Regulatory Approvals (Page 98)**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, which we refer to as the *HSR Act*, the merger may not be consummated unless a waiting period has expired or been terminated and there can be no assurances that such expiration or termination will be obtained. A&P and Pathmark filed the required notification and report forms with the Antitrust Division of the Department of Justice and the Federal Trade Commission regarding the merger on March 19, 2007. On April 18, 2007, A&P and Pathmark each received a request for additional information and documentary materials, which we refer to as the *Second Request*, from the Federal Trade Commission. As a result of the Second

Request, A&P cannot complete the merger under the HSR Act until the earlier of (i) 30 days after both parties substantially comply with the Second Request (or on the next regular business day if the 30th day falls on a Saturday, Sunday or legal public holiday), unless that waiting period is extended by agreement between A&P and the Federal Trade Commission, or (ii) when the Federal Trade Commission terminates its review of the merger. On May 21, 2007, A&P announced that it had entered into a timing agreement with the Federal Trade Commission, pursuant to which A&P agreed, subject to certain conditions, to not (i) certify that they have substantially complied with the Second Request prior to June 30, 2007, or (ii) consummate the merger for at least 60 days following the date that A&P and Pathmark substantially comply with the Second Request. On July 13, 2007, A&P and Pathmark each certified substantial compliance with the Federal Trade Commission in response to the Second Request. On August 7, 2007, A&P and Pathmark entered into an extension of the timing agreement with the Federal Trade Commission pursuant to which A&P and Pathmark agreed, subject to certain conditions, that they will not consummate A&P's acquisition of Pathmark before 11:59 p.m. on September 25, 2007. On September 20, 2007, A&P and Pathmark entered into an agreement with the Federal Trade Commission pursuant to which A&P agreed to provide the Federal Trade Commission notice of its intention to consummate A&P's acquisition of Pathmark at least two weeks prior to closing such transaction. A&P and Pathmark further agreed to give such notice to the Federal Trade Commission no sooner than October 5, 2007.

### **Conditions to the Merger (Page 120)**

The obligations of A&P and Pathmark to complete the merger are subject to the satisfaction or waiver of a number of conditions, including:

the receipt of the required approval of Pathmark stockholders to adopt the merger agreement and the required approvals of A&P stockholders to approve the issuance of A&P common stock in the merger and an amendment to A&P's charter to exempt the transactions contemplated by the merger agreement and the agreements entered into in connection therewith from the preemptive rights provisions of the A&P charter. (At A&P's annual meeting of stockholders on July 19, 2007, A&P stockholders

approved an amendment to eliminate such provisions from A&P's charter.);

the expiration or termination of the waiting period applicable to the merger under the HSR Act, including any extension of the waiting period;

the approval for listing of the shares of A&P common stock to be issued in connection with the merger on the NYSE;

the continued effectiveness of the registration statement on Form S-4, of which this joint proxy statement/prospectus forms a part; and

other customary conditions set forth in the merger agreement, including the accuracy of representations and warranties set forth in the merger agreement; the performance of obligations under the merger agreement; and the absence of orders, injunctions or other legal restraints or prohibitions preventing completion of the merger.

In addition, A&P's obligation to complete the merger is subject to the conditions that the aggregate number of shares of Pathmark stock held by Pathmark stockholders who are entitled to demand, and who properly demand, an appraisal of such holders' shares in accordance with Section 262 of the General Corporation Law of the State of Delaware, which we refer to as the *DGCL* (and who comply in all other respects with Section 262), does not exceed 10% of the shares of Pathmark common stock outstanding immediately prior to the completion of the merger; that there be no pending or threatened legal action or similar proceeding seeking to restrain or prohibit the merger, impose certain limitations on implementing the merger or which has had or would reasonably be expected to have a material adverse effect with respect to Pathmark; that no material adverse effect has occurred or would reasonably be expected to occur with respect to Pathmark; and that the Management Services Agreement and related consulting agreement have been terminated pursuant to their terms.

**Restrictions on Solicitation of Other Offers (Page 114)**

Subject to certain exceptions, the merger agreement restricts Pathmark, its subsidiaries and their respective directors, officers and other representatives from soliciting or knowingly encouraging or facilitating third-party proposals to acquire Pathmark or from entering into, initiating or participating in any discussions or negotiations, furnishing any nonpublic information or assisting or knowingly encouraging any third party with respect to such proposals. Under certain circumstances, however, if Pathmark receives an unsolicited acquisition proposal from a third party, Pathmark may furnish nonpublic information to, and engage in negotiations with, that third party, subject to specified conditions.

**Termination of the Merger Agreement (Page 121)**

A&P and Pathmark may terminate the merger agreement without completing the merger by agreement in writing at any time, even after the Pathmark stockholders have voted to adopt the merger agreement and the A&P stockholders have approved the issuance of A&P common stock and the A&P charter amendment. The merger agreement may also be terminated at any time prior to the effective time of the merger in other specified circumstances, including:

by either  
A&P or  
Pathmark  
if:

the merger is  
not completed  
by the outside  
date of March  
4, 2008 (the  
*Outside Date* ),  
which date  
may be  
extended once  
for a period up  
to ninety days  
under certain  
circumstances;

Pathmark  
stockholders  
fail to adopt  
the merger  
agreement at  
the Pathmark  
special meeting  
or A&P  
stockholders  
fail to approve  
both the  
issuance of  
A&P common  
stock in the

merger and the A&P charter amendment at the A&P special meeting. (At A&P's annual meeting of stockholders on July 19, 2007, A&P stockholders approved an amendment to eliminate such provisions from A&P's charter.);

a governmental entity issues an order, injunction or other legal restraint or prohibition preventing completion of the merger; or

the other party breaches or fails to perform any representation, warranty, covenant or agreement in the merger agreement which breach or failure to perform would cause the failure of a closing condition which is not curable or is not cured following

notice; or

by  
A&P  
if:

prior to the  
Pathmark special  
meeting, the  
Pathmark board  
of directors  
withdraws,  
modifies or  
qualifies in a  
manner adverse  
to A&P its  
recommendation  
of the merger; or

on September 4,  
2007 or on  
December 4,  
2007, the A&P  
board of  
directors elects to  
terminate the  
merger  
agreement based  
on its good faith  
determination  
that completing  
the merger would  
be reasonably  
likely to require  
divesting stores,  
businesses or  
other assets of  
A&P and  
Pathmark in  
excess of an  
aggregate of  
\$36.0 million of  
scheduled store  
level cashflow,  
subject to  
requirements to  
discuss the  
determination  
with Pathmark  
and to pay  
certain fees and



expenses, if applicable, as described under Termination fees and expenses ; or

by Pathmark if:

A&P fails to obtain \$190.0 million of net cash proceeds by June 2, 2007 from the sale of Metro common stock or A&P common stock and/or preferred stock (on March 13, 2007, A&P sold 6,350,000 shares of its holdings in Metro for proceeds of approximately \$203.5 million) or such amount fails to remain unencumbered and held separately to pay the merger consideration; or

the marketing period provided under the merger agreement to arrange the debt financing for the merger has expired, the conditions to the

completion of  
the merger  
have been  
satisfied or  
waived and  
A&P does not  
have available  
funds to pay  
the aggregate  
cash  
consideration  
payable in the  
merger.

**Termination Fees and Expenses (Page 123)**

Pathmark will pay A&P a termination fee of \$25.0 million in connection with the termination of the merger agreement in certain circumstances involving a competing acquisition proposal by a third party or a change in the Pathmark board of directors' recommendation of the merger to Pathmark's stockholders.

In addition, A&P has agreed to pay Pathmark termination fees under the following circumstances:

a \$25.0 million termination fee, referred to as the *Nine-Month Termination Fee*, if (i) A&P terminates the merger agreement on December 4, 2007 because A&P has determined in good faith, subject to certain requirements, that required divestitures would be reasonably likely to exceed \$36.0 million of aggregate scheduled store level cashflow or (ii) A&P or Pathmark terminates the merger agreement after September 4, 2007 and on or before December 4, 2007 because any court or other governmental entity has restrained or prohibited

completion of the merger at the request of any person seeking relief under antitrust laws;

a \$50.0 million termination fee, referred to as the *One-Year Termination Fee*, if (i) March 4, 2008 has been reached and (a) the Outside Date for completing the merger has not been extended, (b) the antitrust-related conditions to closing the merger have not been satisfied and (c) A&P or Pathmark terminates the merger agreement because of failure to complete the merger by the Outside Date or (ii) A&P or Pathmark terminates the merger agreement after December 4, 2007 and on or before March 4, 2008 because any court or other governmental entity has restrained or

prohibited completion of the merger at the request of any person seeking relief under antitrust laws;

a \$75.0 million termination fee, referred to as the *Extension Termination Fee*, if (i) the Outside Date for completing the merger has been extended and A&P or Pathmark terminates the merger agreement because of failure to complete the merger by the extended Outside Date or (ii) A&P or Pathmark terminates the merger agreement after March 4, 2008 because any court or other governmental entity has restrained or prohibited completion of the merger at the request of any person seeking relief under antitrust laws;

a \$50.0 million termination fee if Pathmark terminates the merger agreement because of A&P's failure to obtain \$190.0 million of net cash proceeds by June 2, 2007 from the sale of Metro common stock or A&P common stock and/or preferred stock (on March 13, 2007, A&P sold 6,350,000 shares of its holdings in Metro for proceeds of approximately \$203.5 million) or because such amount fails to remain unencumbered and held separately to pay the merger consideration; and

a \$50.0 million termination fee if Pathmark terminates the merger agreement on or prior to March 4, 2008 (or \$75.0 million if so terminated after March 4, 2008) because (i) A&P does not have available funds

to pay the aggregate cash consideration payable in the merger, (ii) the marketing period provided under the merger agreement to arrange the debt financing for the merger has expired and (iii) the conditions to the completion of the merger have been satisfied or waived.

If A&P or Pathmark terminates the merger agreement because of the failure of the Pathmark stockholders to adopt the merger agreement at the Pathmark special meeting, then Pathmark must pay A&P all filing fees paid by A&P under the HSR Act as well as legal fees and expenses incurred by A&P in connection with the merger agreement and the transactions contemplated thereby. This payment of fees and expenses will reduce the amount of any termination fees to be paid by Pathmark.

If A&P or Pathmark terminates the merger agreement because of the failure of the A&P stockholders to approve both the issuance of the A&P common stock pursuant to the merger agreement and the A&P charter amendment at the A&P special meeting or if A&P terminates the merger agreement on September 4, 2007, pursuant A&P's right to terminate the merger agreement under certain circumstances if A&P determines that it is reasonably likely that divestitures required to meet antitrust requirements would exceed \$36.0 million of aggregate scheduled store level

cashflow, then A&P must pay Pathmark the legal fees and expenses incurred by Pathmark in connection with the merger agreement and the transactions contemplated thereby. (At A&P's annual meeting of stockholders on July 19, 2007, A&P stockholders approved an amendment to eliminate such provisions from A&P's charter.)

### **Certain Material United States Federal Income Tax Consequences (Page 100)**

The receipt of the merger consideration, or cash pursuant to the exercise of dissenters' rights, by Pathmark stockholders in exchange for Pathmark common stock will be a taxable transaction for United States federal income tax purposes.

You should read Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Certain Material United States Federal Income Tax Consequences for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters are complicated and the tax consequences of the merger to you will depend on the facts of your particular situation. Because individual circumstances may differ, we urge you to consult with your tax advisor as to the specific tax consequences of the merger to you, including the applicability of United States federal, state, local, foreign and other tax laws.

### **Comparison of Stockholders' Rights (Page 143)**

As a result of the merger, the holders of Pathmark common stock will become holders of A&P common stock. Following the merger, Pathmark stockholders will have different rights as stockholders of A&P than as stockholders of Pathmark due to differences between the laws of the states of incorporation and the different provisions of the governing documents of A&P and Pathmark. See Adoption of the Merger Agreement (Pathmark Proposal 1) Comparison of Stockholders' Rights.

### **Comparative Stock Prices and Dividends (Page 23)**

Shares of A&P common stock are listed on the NYSE under the symbol GAP. Shares of Pathmark common stock are listed on the NASDAQ Global Market (NASDAQ) under the symbol PTMK. The following table presents the last reported sale prices of A&P common stock and Pathmark common stock, as reported on:

February 26, 2007,  
the last full trading  
day before both A&P  
and Pathmark issued  
press releases  
regarding a potential  
business combination  
involving the  
companies;

March 2, 2007, the  
last full trading day  
prior to the public  
announcement of the  
merger agreement;  
and

October 8, 2007, the  
last full trading day



prior to the printing  
date of this proxy  
statement/prospectus.

The table also presents the equivalent value of the merger consideration per share of Pathmark common stock on those dates.

	<b>A&amp;P Common Stock</b>	<b>Pathmark Common Stock</b>	<b>Equivalent Price Per Share of Pathmark Common Stock(1)</b>
February 26, 2007	\$ 30.87	\$ 12.05	\$ 13.00
March 2, 2007	\$ 30.86	\$ 11.25	\$ 13.00
October 8, 2007	\$ 31.69	\$ 12.96	\$ 13.11

- (1) Calculated by adding (i) the cash portion of the merger consideration, or \$9.00, and (ii) the A&P closing per share stock price on February 26, 2007, March 2, 2007 or October 8, 2007 (as the case may be) multiplied by 0.12963.

Trading prices of A&P and Pathmark common stock and, consequently, the value of the merger consideration will fluctuate prior to the closing date of the merger, and A&P and Pathmark stockholders are urged to obtain current market quotations prior to making any decision with respect to how such stockholders will vote regarding the merger or the A&P share issuance proposal, as the case may be.

Although A&P declared and paid a special one-time dividend to its stockholders of record on April 17, 2006 equal to \$7.25 per share in April 2006, A&P's policy is to not pay dividends. As such, A&P has not paid any dividends, other than the special one-time dividend paid in 2006, during the previous four years and does not intend to pay dividends in the normal course of business in fiscal 2007. A&P is permitted, however, under the terms of its credit agreements, to pay cash dividends on shares of common stock.

Pathmark did not pay any cash dividends to its stockholders during fiscal 2006 and does not currently anticipate paying cash dividends during fiscal 2007. Pathmark is prohibited from paying cash dividends to holders of Pathmark common stock under the terms of its amended and restated \$250 million senior secured credit facility dated as of October 1, 2004, as amended, with a group of lenders led by Fleet Retail Group. In addition, Pathmark is restricted from paying cash dividends to holders of Pathmark common stock under the indenture governing its \$350 million 8.75% Senior Subordinated Notes, due 2012.

### **Appraisal Rights (Page 102)**

Under Delaware law, if the merger is completed, Pathmark stockholders of record who demand an appraisal of their shares, do not vote in favor of the merger and properly perfect their appraisal rights pursuant to, and in accordance with, Section 262 of the DGCL (and do not subsequently lose or withdraw such rights) will be entitled to receive payment in cash for the judicially determined fair value of their shares of Pathmark common stock plus a fair rate of interest, if any, on the amount determined to be the fair value of the shares. The relevant provisions of the DGCL relating to the rights of Pathmark stockholders to such appraisal are included as Annex J to this joint proxy statement/prospectus.

### **The A&P Special Meeting (Page 32)**

The A&P special meeting will be held at The Woodcliff Lake Hilton, 200 Tice Boulevard, Woodcliff Lake, New Jersey, on November 8, 2007, at 9:00 a.m., Eastern Standard Time, for the following purposes:

to consider and  
vote on a  
proposal to  
approve the  
issuance of  
A&P common  
stock pursuant  
to the merger  
agreement;

to consider and  
vote on a  
proposal to  
adjourn or  
postpone the  
special  
meeting, if  
necessary, to  
solicit  
additional  
proxies; and

to transact any  
other business  
that may  
properly be  
brought before  
the A&P  
special meeting  
and any  
adjournments  
or  
postponements  
thereof.

Only record holders of A&P common stock at the close of business on October 8, 2007 will be entitled to vote at the A&P special meeting. Each share of A&P common stock is entitled to one vote for each matter presented at the meeting. As of the record date of October 8, 2007, there were 41,960,817 shares of A&P common stock entitled to vote at the A&P special meeting.

The stock issuance proposal requires the affirmative vote of a majority of all votes cast by the holders of common stock at a meeting, *provided* that the total votes cast represent at least a majority of the outstanding shares entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, an A&P stockholder's failure to vote will not affect the outcome of the vote to approve the issuance of A&P common stock in connection with the merger, assuming the total votes cast on the proposal represent at least a majority of all shares entitled to vote on the proposal. Because the NYSE treats abstentions as votes cast with respect to the proposal to issue shares of A&P common stock pursuant to the merger agreement, an abstention will have the same effect as a vote **AGAINST** this proposal. Abstentions will be counted for the purposes of determining whether a quorum exists at the A&P special meeting.

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 A&P common stock at the special meeting. Therefore, an A&P stockholder's failure to vote or an abstention will have no effect on the outcome of the vote on such proposal.

As of the A&P record date, directors and executive officers of A&P and their affiliates had the right to vote 22,222,970 shares of A&P common stock, or approximately 52.96% of the outstanding A&P common stock entitled to be voted at the A&P special meeting.

Tengelmann has agreed to vote all of its shares of A&P common stock, approximately 53% of the outstanding A&P common stock as of the A&P record date, in favor of the issuance of A&P common stock in the merger. This means that the approval of the issuance of the A&P common stock pursuant to the merger agreement is assured.

### **The Pathmark Special Meeting (Page 35)**

The Pathmark special meeting will be held at Pathmark's corporate headquarters, 200 Milik Street, Carteret, New Jersey 07008, on November 8, 2007, at 10:00 a.m., Eastern Standard Time, for the following purposes:

to consider and vote upon a proposal to adopt the merger agreement and the transactions contemplated thereby, including the merger;

to consider and vote upon a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies; and

to consider and vote on such other matters as may properly be brought before the Pathmark special meeting and any adjournments or postponements thereof.

Only record holders of Pathmark common stock at the close of business on October 8, 2007 will be entitled to vote at the Pathmark special meeting. Each share of Pathmark common stock is entitled to one vote for each matter presented at the meeting. As of the record date of October 8, 2007, there were 52,558,999 shares of Pathmark common stock entitled to vote at the Pathmark special meeting.

The proposal to adopt the merger agreement and the transactions contemplated thereby, including the merger, requires an affirmative vote of the holders of a majority of the outstanding shares of Pathmark common stock entitled to vote at the Pathmark special meeting. A Pathmark stockholder's failure to vote or an abstention will have the same effect as a vote AGAINST the proposal to adopt the merger agreement and the transactions contemplated thereby, including the merger, because approval is based on the affirmative vote of a majority of shares outstanding and entitled to vote. The proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies requires the affirmative vote of the holders of a majority of the shares of common stock present or represented at the special meeting and entitled to vote thereon. Accordingly, an abstention on the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies will have the same effect as a vote AGAINST that proposal, but the failure to attend the meeting and vote in person, to submit a proxy, or to provide voting instructions to your bank, brokerage firm or nominee will have no effect on the outcome of the proposal.

As of the Pathmark record date, directors and executive officers of Pathmark had the right to vote 661,567 shares of Pathmark common stock, or approximately 1.26% of the outstanding Pathmark common stock entitled to be voted at the Pathmark special meeting.

The Yucaipa Investors have agreed to vote shares of Pathmark common stock that they own as of the Pathmark record date in favor of adoption of the merger agreement and the transactions contemplated thereby, including the merger, *provided* that these voting obligations do not apply to any other shares owned by the Yucaipa Investors in excess of 33% of the outstanding Pathmark common stock. The remaining shares owned by the Yucaipa Investors may be voted in the Yucaipa Investors' discretion, although the Yucaipa Investors have expressed their present intention to vote all of the Pathmark shares they own (approximately 38% of the outstanding Pathmark common stock as of the Pathmark record date) in favor of the adoption of the merger agreement.

### **Information about the companies**

*A&P*

The address and telephone number of the executive offices are:

Two Paragon Drive  
Montvale, New Jersey 07645  
(201) 573-9700

A&P is a Maryland corporation and is engaged in the retail food business. A&P operated over 400 stores averaging over 40,000 square feet per store as of February 24, 2007.

Operating under the trade names A&P, Super Fresh, Sav-A-Center, Farmer Jack, Waldbaum's, Super Foodmart, Food Basics and The Food Emporium, A&P sells groceries, meats, fresh produce and other items commonly offered in supermarkets. In addition, many stores have bakery, delicatessen, pharmacy, floral, fresh fish and cheese departments and on-site banking. National, regional and local brands are sold, as well as private label merchandise. In support of A&P's retail operations, A&P sells other private-label products in its stores under other brand names of A&P which include, without limitation, America's Choice, Master Choice, Health Pride and Savings Plus.

*Merger Sub*

The address and telephone number of the executive offices are:

Two Paragon Drive  
Montvale, New Jersey 07645  
(201) 573-9700

Merger Sub is a Delaware corporation and a wholly owned subsidiary of A&P. Merger Sub was organized on February 22, 2007 solely for the purpose of effecting the merger with Pathmark. It has not carried on any activities other than in connection with the merger agreement.

*Pathmark*

The address and telephone number of the executive offices are:

200 Milik Street  
Carteret, New Jersey 07008  
(732) 499-3000

Pathmark is a Delaware corporation and is a leading supermarket chain in the densely populated New York-New Jersey and Philadelphia metropolitan areas, operating as a single segment with 141 stores. All of its stores are located within 100 miles of its corporate office in Carteret, New Jersey, and of its company-operated and outsourced distribution facilities. Pathmark was incorporated in Delaware in 1987 and is the successor by merger to a business established in 1966.

**SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF A&P**

The following table sets forth selected historical consolidated financial information and other data of A&P for the periods presented. The selected financial information as of February 22, 2003, February 28, 2004, February 26, 2005, February 25, 2006 and February 24, 2007, and for each of the five fiscal years then ended, has been derived from A&P's consolidated financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The selected historical financial and other data of A&P for the first quarters ended June 16, 2007 and June 17, 2006 presented below has been derived from A&P's unaudited consolidated financial statements, which, in the opinion of management, reflect all adjustments, consisting of only normal, recurring adjustments, necessary for a fair presentation of such data and which have been prepared in accordance with the same accounting principles followed in the presentation of the A&P audited financial statements for the year ended February 24, 2007. The operating results for the quarter ended June 16, 2007 are not necessarily indicative for the results that may be expected for the fiscal year. This financial information and other data should be read in conjunction with the audited and unaudited consolidated financial statements of A&P, including the notes thereto, incorporated in this joint proxy statement/prospectus by reference. See [Where You Can Find More Information](#).

	<b>Fiscal Quarter Ended</b>				<b>Fiscal Year Ended</b>	<b>Other</b>
	<b>June 16, 2007</b>	<b>June 17, 2006</b>	<b>February 24, 2007(a)(b)</b>	<b>February 25, 2006(a)(b)</b>	<b>February 26, 2005</b>	
	<b>(In millions, except per share and</b>					<b>amounts)</b>
<b>Operating Results</b>						
Sales	\$ 1,986.9	\$ 1,994.4	\$ 6,437.7	\$ 8,345.9	\$ 10,456.1	\$
(Loss) income from operations	(114.2 )	(10.8 )	(40.0 )	(306.2 )	(63.8 )	
Depreciation and amortization	56.3	54.9	(167.7 )	(196.2 )	(255.7 )	
(Loss) gain on sale of Canadian operations	(0.3 )	(0.3 )	1.3	912.1		
Interest expense(c)	(21.4 )	(21.3 )	(71.3 )	(89.7 )	(112.0 )	
Income (loss) from continuing operations	(26.1 )	(8.6 )	4.0	404.8	(172.7 )	
Income (loss) from discontinued operations	(17.0 )	2.5	22.9	(12.2 )	(15.4 )	
Income (loss) before cumulative effect of change in accounting principle	(43.1 )	(6.1 )	26.9	392.6	(188.1 )	
Cumulative effect of a change in						

accounting  
principle  
FIN 46-R(d)

Net income (loss)	(43.1 )	(6.1 )	26.9	392.6	(188.1 )
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**Per Share Data**

Income (loss) from continuing operations basic	(0.62 )	(0.21 )	0.10	10.04	(4.48 )
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Income (loss) from discontinued operations basic	(0.41 )	(0.06 )	0.55	(0.30 )	(0.40 )
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Cumulative effect  
of a change in  
accounting  
principle  
FIN 46-R(d)

Net income (loss) basic	(1.03 )	(0.15 )	0.65	9.74	(4.88 )
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Income (loss) from continuing operations diluted	(0.62 )	(0.21 )	0.10	9.94	(4.48 )
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Income (loss) from discontinued operations diluted	(0.41 )	(0.06 )	0.54	(0.30 )	(0.40 )
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Cumulative effect  
of a change in  
accounting  
principle  
FIN 46-R(d)

Net income (loss) diluted	(1.03 )	(0.15 )	0.64	9.64	(4.88 )
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Cash dividends(e)			7.25		
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Book value per share(e)	13.35	9.30	10.36	16.32	6.03
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See notes to selected financial data.



	Fiscal Quarter Ended				Other
	June 16, 2007	June 17, 2006	February 24, 2007(a)(b)	February 25, 2006(a)(b)	
(In millions, except per share and Other)					
<b>Financial Position</b>					
Current assets	\$ 944.3	\$ 880.7	\$ 748.9	\$ 1,210.0	\$
Current liabilities	513.7	584.9	558.4	610.3	
Working capital(e)	430.6	295.7	190.5	599.7	
Current ratio(e)	1.94	1.51	1.34	1.98	
Expenditures for property	(50.9 )	(68.1 )	208.2	191.1	
Total assets	2,307.8	2,196.4	2,111.6	2,498.9	
Current portion of long-term debt(f)	0.0	32.4	32.1	0.6	
Current portion of capital lease obligations	1.6	2.0	1.6	2.3	
Long-term debt(c)	254.2	284.8	284.2	246.3	
Long-term portion of capital lease obligations	29.5	31.8	29.9	32.3	
Total debt	285.3	351.0	347.8	281.4	
Debt to total capitalization(i)	34 %	48 %	45 %	30 %	
<b>Equity</b>					
Stockholders equity(g)	559.5	385.9	430.7	671.7	
Weighted average shares outstanding basic	41,801.4	41,280.6	41,430.6	40,301.1	
Weighted average shares outstanding diluted	42,259.8	41,839.3	41,902.3	40,725.9	
Number of registered stockholders(e)(h)	4,698	4,479	4,649	4,916	
<b>Other(e)</b>					
Number of employees	36,184	28,779	38,000	38,000	
New store openings	2	1	10	3	
Number of stores at year end	403	405	406	405	

Total store area (square feet)	16,466,870	16,494,793	16,538,410	16,508,969
Number of franchised stores served at year end				
Total franchised store area (square feet)				

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- (a) At the close of business on August 13, 2005, A&P completed the sale of its Canadian business to Metro.
- (b) On February 27, 2005 the first day of A&P's 2005 fiscal year, A&P adopted the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 123(R) and recorded share-based compensation expense of \$8.2 million and \$9.0 million in fiscal 2006 and fiscal 2005, respectively.

- (c) In fiscal 2005, A&P repurchased the majority of its 7.75% Notes due April 15, 2007 and its 9.125% Senior Notes due December 15, 2011.
- (d) In fiscal 2003, the Financial Accounting Standards Board ( *FASB* ) issued revised interpretation No. 46, Consolidation of Variable Interest Entities an interpretation of Accounting Research Bulletin No. 51. As of February 23, 2003, A&P adopted its guidance as A&P was deemed the primary beneficiary and included the franchise operations in A&P s consolidated financial statements for fiscal 2003, fiscal 2004 and fiscal 2005.
- (e)

Not derived  
from audited  
financial  
information.

- (f) In April 2007, A&P's 7.75% Notes become due and payable in full.
- (g) On April 25, 2006, A&P paid a special one-time dividend to its stockholders of record on April 17, 2006 equal to \$7.25 per share. This dividend payout totaling \$299.1 million was recorded as a reduction of Additional paid in capital in A&P's Consolidated Balance Sheets at February 24, 2007.
- (h) Actual number, not millions.
- (i) Calculated as total debt divided by the sum of total debt and stockholders equity.

**SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF PATHMARK**

The following table sets forth selected historical consolidated financial information and other data of Pathmark for the periods presented. The selected consolidated statements of income data for the fiscal years ended February 3, 2007, January 28, 2006 and January 29, 2005 and the selected consolidated balance sheet data as of February 3, 2007 and January 28, 2006 have been derived from Pathmark's audited consolidated financial statements, incorporated by reference in this joint proxy statement/prospectus. The selected consolidated statements of income data for the fiscal years ended January 31, 2004 and February 1, 2003 and the selected consolidated balance sheet data as of January 29, 2005, January 31, 2004 and February 1, 2003 are derived from audited consolidated financial statements not included or incorporated by reference in this joint proxy statement/prospectus. The selected historical financial and other data of Pathmark for the 26 weeks ended August 4, 2007 and July 29, 2006 presented below was derived from Pathmark's unaudited consolidated financial statements, which, in the opinion of management, reflect all adjustments, consisting of only normal, recurring adjustments, necessary for a fair presentation of such data and which have been prepared in accordance with the same accounting principles followed in the presentation of Pathmark's audited financial statements for the year ended February 3, 2007. The operating results for the 26 weeks ended August 4, 2007 are not necessarily indicative of the results that may be expected for the fiscal year. This consolidated financial information and other data should be read in conjunction with the audited and unaudited consolidated financial statements of Pathmark, including the notes thereto, incorporated in this joint proxy statement/prospectus by reference. See [Where You Can Find More Information](#).

	<b>Fiscal Year-to-Date</b>				<b>Fiscal Y</b>
	<b>26 weeks ended August 4, 2007</b>	<b>26 weeks ended July 29, 2006</b>	<b>53 Weeks Ended February 3, 2007</b>	<b>52 Weeks Ended January 28, 2006</b>	<b>52 Wee Ende January 2005</b>
	<b>(In millions, except per share amounts)</b>				
<b>Operating Results:</b>					
Sales:	\$ 1,997.5	\$ 2,001.4	\$ 4058.0	\$ 3977.0	\$ 3978
Cost of goods sold	(1,411.9 )	(1,427.0 )	(2,875.2 )	(2,846.3 )	(2,846
Gross profit	585.6	574.4	1,182.8	1,130.7	1,132
Selling, general and administrative expenses(a)	(538.6 )	(520.9 )	(1,056.8 )	(1,040.9 )	(984
Depreciation and amortization(b)	(47.1 )	(46.1 )	(92.6 )	(90.8 )	(89
Impairment of goodwill and long-lived assets(c)	(2.2 )				(309
Operating earnings (loss)	(2.3 )	7.4	33.4	(1.0 )	(250
Interest expense, net(d)	(31.8 )	(30.9 )	(62.3 )	(64.7 )	(67

Earnings (loss) before income taxes and cumulative effect of an accounting change	(34.1 )	(23.5 )	(28.9 )	(65.7 )	(317 )
Income tax benefit (provision)(e)	6.8	9.3	10.6	25.6	9
Earnings (loss) before cumulative effect of an accounting change	(27.3 )	(14.2 )	(18.3 )	(40.1 )	(308 )
Cumulative effect of an accounting change, net of tax(f)					
Net earnings (loss)	\$ (27.3 )	\$ (14.2 )	\$ (18.3 )	\$ (40.1 )	\$ (308 )
Weighted-average number of shares outstanding basic	52.4	52.0	52.1	43.5	30
Weighted-average number of shares outstanding diluted	52.4	52.0	52.1	43.5	30
Net earnings (loss) per share basic	\$ (0.52 )	\$ (0.27 )	\$ (0.35 )	\$ (0.92 )	\$ (10.2 )
Net earnings (loss) per share diluted	\$ (0.52 )	\$ (0.27 )	\$ (0.35 )	\$ (0.92 )	\$ (10.2 )
Same-store sales increase (decrease)	(0.3 )%	0.2 %	0.4 %	(0.8 )%	(0 )%
Capital expenditures, including property acquired under capital leases and technology investments	\$ 36.1	\$ 34.7	\$ 71.8	\$ 64.5	\$ 119

See notes to selected historical financial and other data of Pathmark.

	August 4, 2007	July 29, 2006	February 3, 2007	At January 28, 2006	January 29, 2005	January 31, 2004	Fe
<b>Financial Position:</b>							
Total assets(g)	\$ 1,125.5	\$ 1,225.7	\$ 1,132.4	\$ 1,254.6	\$ 1,253.4	\$ 1,520.9	\$
Cash and cash equivalents	33.2	61.8	28.1	73.4	42.6	8.9	
Debt (excluding capital lease obligations)	462.1	424.2	448.2	425.9	481.2	428.4	
Capital lease obligations	164.8	174.1	169.8	179.6	193.4	196.5	
Total debt, including capital lease obligations	626.9	598.3	618.0	605.5	674.6	624.9	
Stockholders equity(g)	102.6	161.6	128.4	171.3	65.2	375.0	

See notes to selected historical financial and other data of Pathmark.



**Notes to Selected Historical Financial and Other Data of Pathmark**

- (a) Selling, general and administrative expenses ( *SG&A* ) in the 26 weeks ended August 4, 2007 included a \$12.4 million charge related to the proposed merger with A&P, a \$7.0 million charge related to the withdrawal from a multi-employer pension plan to which Pathmark contributes, a \$4.5 million charge for early retirement and benefits-related expenses related to a voluntary retirement incentive program Pathmark offered to certain of its store associates covered by collective bargaining agreements ( *Store Labor Buyout* ) in which 152 store associates accepted the Store Labor Buyout and agreed to retire no later than May 5, 2007, and a gain of \$6.1 million on the sale of real estate, which is a normal part of Pathmark's ongoing operation. *SG&A*

in fiscal 2006 included a \$9.7 million non-cash charge related to stock-based compensation in accordance with SFAS No. 123(R), Share-Based Payment and \$2.9 million in expenses related to the proposed merger with A&P, partially offset by gift card breakage income of \$3.5 million. SG&A in fiscal 2005 included a \$14.6 million charge related to employee-related separation costs, comprised of (i) an \$8.4 million charge related to a corporate headcount reduction program, (ii) a \$3.6 million charge related to a store labor buyout initiative, and (iii) a \$2.6 million charge related to separation agreements with two former executives. In addition, SG&A in fiscal 2005 included a \$4.7 million charge related to the merchandising and store initiative. SG&A in fiscal 2004 is net of a \$1.4

million credit to correct, on a cumulative basis, the accounting related to straight-line rent expense and long-term disability and a \$1.5 million gain from the sale of real estate. Fiscal 2003 included a \$13.7 million gain from the sale of real estate related to the assignment of two real estate leases and an \$8.1 million charge related to a store labor buyout initiative and a corporate headcount reduction program. Fiscal 2002 included a \$2.0 million charge related to a store labor buyout program.

- (b) Depreciation and amortization in fiscal 2004 included a charge of \$2.0 million to correct, on a cumulative basis, the amortization of certain leasehold improvement.
- (c) During the 26 weeks ended August 4, 2007, Pathmark recorded a pre-tax non-cash charge

of \$2.2 million due to the impairment of a long-lived asset. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, Pathmark's goodwill balance is evaluated for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Based on an evaluation of its fair value in fiscal 2002, fiscal 2003, fiscal 2005 and fiscal 2006, Pathmark concluded that there was no impairment of its goodwill. In fiscal 2004, based on Pathmark's evaluation of its goodwill and long-lived assets performed, Pathmark recorded a non-cash impairment charge of \$309.0 million. The goodwill impairment of \$293.8 million, which is not deductible for income tax purposes, represented the write-down of the

carrying value of Pathmark's goodwill to its implied fair value and was due to Pathmark's declining operating performance in fiscal 2004 and the reduced valuation multiples in the retail grocery industry, which were reflected in Pathmark's stock price and market capitalization. The long-lived assets impairment of \$15.2 million represents the write-down of under-performing stores to their fair market values.

- (d) Interest expense in fiscal 2005 included a charge of \$2.8 million as a result of the defeasance of Pathmark's mortgage borrowings utilizing a portion of the proceeds of certain purchased securities. Fiscal 2004 included a write-off of deferred financing costs of \$1.7 million related to the refinancing and pay down of Pathmark's previous credit agreement. Fiscal

2003 included a derivative settlement charge of \$3.7 million related to the termination and settlement of Pathmark's \$150 million interest rate zero-cost collar and the writeoff of deferred financing costs of \$2.1 million as a result of the repayment of \$153 million of Pathmark's term loan primarily from proceeds from the issuance of an additional \$150 million (\$100 million on September 19, 2003 and \$50 million on December 18, 2003) aggregate principal amount of Senior Subordinated Notes. Fiscal 2002 included the reversal of an accrued interest liability of \$2.2 million related to the favorable resolution of certain tax issues.

- (e) The income tax provision for the first 26 weeks of fiscal 2007 was based on an effective tax rate of 19.9% due to the impact of nondeductible

expenses, such as  
legal and other  
professional  
services, related  
to the proposed  
merger with A&P.  
In fiscal 2004, the  
income tax  
provision did

not include the goodwill impairment of \$293.8 million, which is not deductible for income tax purposes.

- (f) In fiscal 2002, Pathmark adopted Emerging Issues Task Force ( *EITF* ) Issue No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor. In adopting EITF Issue No. 02-16, vendor payments related to advertising reimbursements are recorded as a reduction of cost of goods sold when both the required advertising is performed and the inventory is sold; prior to this change, these reimbursements were recorded as a reduction of advertising expense when the required advertising was performed. As a result, Pathmark



recorded a charge in fiscal 2002 of \$0.6 million, net of an income tax benefit of \$0.4 million, for the cumulative effect of an accounting change.

- (g) On February 4, 2007, Pathmark adopted provisions of FASB Interpretation ( *FIN* ) No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of SFAS NO. 109 . FIN No. 48 provides recognition criteria and a related measurement model for tax positions taken by Pathmark. On February 4, 2007, the total amount of unrecognized tax benefits was \$20.5 million, including accrued interest and penalties of \$1.2 million. As a result of the implementation of FIN No. 48, Pathmark recognized a \$5.7 million increase in the liability for

unrecognized tax benefits, which was accounted for as a reduction to stockholders equity, an increase to the noncurrent tax liability and a reduction to the deferred income tax asset.

Included in the \$20.5 million balance of unrecognized tax benefits was \$7.5 million of tax benefits that, if recognized, will impact the effective tax rate and \$4.4 million of tax benefits that, if recognized, will result in a decrease to goodwill. In fiscal 2006, Pathmark adopted SFAS No. 158.

Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of SFAS Nos. 87, 88, 106 and 132(R). As a result, Pathmark recognized the funded status of its defined benefit postretirement

plans as an asset  
or a liability,  
with changes  
resulting from  
adoption  
reducing  
stockholders  
equity by \$36.0  
million as of  
February 3,  
2007. SFAS No.  
158 did not  
change the  
existing criteria  
for  
measurement of  
periodic benefit  
costs, plan  
assets or benefit  
obligations.

**COMPARATIVE PER SHARE DATA**

The following table sets forth certain historical, pro forma combined and pro forma-equivalent per share financial information for A&P common stock and Pathmark common stock. The pro forma and pro forma-equivalent per share information gives effect to the merger as if the merger had been effective on February 24, 2007 and June 16, 2007 (as the case may be), in the case of the book value data presented, and as if the merger had become effective at the beginning of the fiscal year ended February 24, 2007 and the end of the fiscal quarter ended June 16, 2007 (as the case may be), in the case of the net income and dividends declared data presented.

The following information should be read in conjunction with the audited consolidated financial statements of A&P and Pathmark, which are incorporated by reference into this joint proxy statement/prospectus, and the unaudited pro forma condensed combined financial data beginning on page 125. The pro forma information below assumes that the merger will be accounted for using the purchase method of accounting, represents a current estimate based on available information and is subject to change as additional information becomes available. It is presented for informational purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the beginning of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined company.

<b>Fiscal Year Ended February 24, 2007</b>	<b>A&amp;P Historical</b>	<b>Pathmark Historical(1)</b>	<b>Unaudited Pro Forma Combined(1)</b>	<b>Unaudited Pro Forma Pathmark Equivalent(1)(2)</b>
Diluted per common share:				
Income (loss) per share from continuing operations	\$ 0.10	\$ (0.35 )	\$ (2.35 )	\$ (0.30 )
Dividends declared per common share	\$ 7.25	\$	\$	\$
Book value per share at period end	\$ 10.36	\$ 2.46	n/a	n/a

(1) Pathmark information is presented as of and for the period ended February 3, 2007.

(2) Pathmark equivalent per share amounts are calculated by multiplying

pro forma  
amounts by  
the  
exchange  
ratio of  
0.12963.

<b>Fiscal Quarter Ended June 16, 2007</b>	<b>A&amp;P Historical</b>	<b>Pathmark Historical(1)</b>	<b>Unaudited Pro Forma Combined(1)</b>	<b>Unaudited Pro Forma Pathmark Equivalent(1)(2)</b>
Diluted per common share:				
Income (loss) per share from continuing operations	\$ (0.62 )	\$ (0.16 )	\$ 0.33	\$ 0.04
Dividends declared per common share	\$	\$	\$	\$
Book value per share at period end	\$ 13.35	\$ 2.25	\$ 13.99	\$ 1.81

(1) Pathmark information is presented as of and for the period ended May 5, 2007.

(2) Pathmark equivalent per share amounts are calculated by multiplying pro forma amounts by the exchange ratio of 0.12963.

**COMPARATIVE STOCK PRICES AND DIVIDENDS**

A&P common stock is listed and traded on the NYSE under the symbol GAP. Pathmark common stock is listed and traded on NASDAQ under the symbol PTMK. The following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of A&P common stock and Pathmark common stock. The table also sets forth the cash dividends per share declared by A&P and Pathmark with respect to its common stock.

Calendar Quarters	A&P Common Stock			Pathmark Common Stock		
	High	Low	Dividends	High	Low	Dividends
2005						
First Quarter	\$ 15.50	\$ 8.09		\$ 6.74	\$ 4.43	
Second Quarter	\$ 29.70	\$ 14.57		\$ 9.52	\$ 5.94	
Third Quarter	\$ 35.20	\$ 23.80		\$ 12.30	\$ 8.63	
Fourth Quarter	\$ 32.30	\$ 24.89		\$ 11.38	\$ 8.65	
2006						
First Quarter	\$ 35.90	\$ 28.04		\$ 11.54	\$ 9.59	
Second Quarter	\$ 37.02	\$ 20.93	\$ 7.25	\$ 11.48	\$ 8.43	
Third Quarter	\$ 24.54	\$ 20.67		\$ 10.49	\$ 7.60	
Fourth Quarter	\$ 28.64	\$ 23.95		\$ 11.43	\$ 9.75	
2007						
First Quarter	\$ 34.39	\$ 25.27		\$ 12.89	\$ 10.70	
Second Quarter	\$ 35.70	\$ 29.81		\$ 13.18	\$ 12.21	
Third Quarter	\$ 35.89	\$ 28.54		\$ 13.36	\$ 11.90	
Fourth Quarter*	\$ 32.22	\$ 30.03		\$ 13.04	\$ 12.63	

\* Through  
October  
8, 2007

On February 26, 2007, the last trading day before A&P and Pathmark issued press releases regarding a potential business combination involving the companies, the last sale price of Pathmark common stock was \$12.05 per share and the last sale price of A&P common stock was \$30.87 per share. On March 2, 2007, the last trading day prior to the announcement of the execution of the merger agreement, the last sale price of Pathmark common stock was \$11.25 per share and the last sale price of A&P common stock was \$30.86 per share. On October 8, 2007, the most recent practicable trading day prior to the printing of this joint proxy statement/prospectus, the last sale price of Pathmark common stock was \$12.96 per share and the last sale price of A&P common stock was \$31.69 per share. The market prices of shares of Pathmark common stock and A&P common stock are subject to fluctuation. As a result, Pathmark stockholders are urged to obtain current market quotations. On October 8, 2007, the record date for the Pathmark special meeting, there were 52,558,999 shares of Pathmark common stock outstanding. On October 8, 2007, the record date for the A&P special meeting, there were 41,960,817 shares of A&P common stock outstanding.

Although A&P declared and paid a special one-time dividend to its stockholders of record on April 17, 2006 equal to \$7.25 per share in April 2006, A&P's policy is to not pay dividends. As such, A&P has not made dividend payments, other than the special one-time dividend just described, in the previous five years and does not intend to pay dividends in the normal course of business in fiscal 2007. A&P is permitted, however, under the terms of its credit agreements, to pay cash dividends on shares of common stock.

Pathmark did not pay any cash dividends to its stockholders during fiscal 2006 and does not currently anticipate paying cash dividends during fiscal 2007. Pathmark is prohibited from paying cash dividends to holders of Pathmark common stock under the terms of its amended and restated \$250 million senior secured credit facility dated as of October 1, 2004, as amended, with a group of lenders led by Fleet Retail Group. In addition, Pathmark is restricted from paying cash dividends to holders of Pathmark common stock under the indenture governing its \$350 million 8.75% Senior Subordinated Notes, due 2012.

## RISK FACTORS

In addition to general investment risks and the other information included or incorporated by reference into this joint proxy statement/prospectus, you should carefully consider the risk factors described below in evaluating whether to adopt the merger agreement and the transactions contemplated thereby, in the case of Pathmark stockholders, or to approve the A&P share issuance proposal, in the case of A&P stockholders.

### **Risk Factors Relating to A&P and Pathmark**

A&P's and Pathmark's businesses are and will be subject to the risks described below relating to the merger. In addition, A&P and Pathmark are, and will continue to be, subject to the risks described in Part I, Item 1A in each of A&P's Annual Report on Form 10-K for the year ended February 24, 2007 and Quarterly Report on Form 10-Q for the quarter ended June 16, 2007 and Pathmark's Annual Report on Form 10-K, as amended, for the year ended February 3, 2007 and Quarterly Report on Form 10-Q for the quarter ended May 5, 2007, in each case as filed with the Securities and Exchange Committee (SEC) and incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 175 for the location of information incorporated by reference into this joint proxy statement/prospectus.

### **Risk Factors Relating to the Merger**

***Because the market price of A&P common stock will fluctuate, Pathmark stockholders cannot be sure of the market value of the shares of A&P common stock that they will receive.***

The number of shares of A&P common stock to be received by holders of Pathmark common stock in the merger as part of the merger consideration is fixed at 0.12963 of a share of A&P common stock for each share of Pathmark common stock. That number will not be adjusted in the event of any increase or decrease in the price of either A&P common stock or Pathmark common stock. The price of A&P common stock may vary at the effective time of the merger from its price at the date of this joint proxy statement/prospectus and at the date of the special meeting. That variation may be the result of changes in the business, operations or prospects of A&P or Pathmark, market assessments of the likelihood that the merger will be completed and the timing of the merger, regulatory considerations, general market and economic conditions and other factors. In addition to the approval of Pathmark stockholders, completion of the merger is subject to the expiration or termination of the applicable waiting period and any extension of the waiting period under the HSR Act, and the satisfaction of other conditions that may not occur until some time after the special meeting. Therefore, at the time of the Pathmark special meeting, Pathmark stockholders will not know the precise dollar value of the merger consideration they will be entitled to receive upon completion of the merger. Pathmark stockholders are urged to obtain current market quotations for A&P common stock and Pathmark common stock.

***Obtaining required approvals and satisfying closing conditions may delay or prevent completion of the merger or reduce the anticipated benefits of the merger.***

Completion of the merger is conditioned upon the receipt of certain governmental authorizations, consents, orders and approvals, including the expiration or termination of the applicable waiting period (and any extension of the waiting period) under the HSR Act. These consents, orders and approvals may impose conditions on, or require divestitures relating to, the divisions, operations or assets of A&P or Pathmark. These conditions or divestitures may jeopardize or delay completion of the merger or may reduce the anticipated benefits of the merger. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all required consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals.



Pursuant to the merger agreement, A&P may be required to dispose of significant assets if required by governmental entities in order to resolve potential antitrust objections to the merger. A&P and Pathmark have agreed to use their respective best efforts to cause the expiration or

termination of the waiting period under the HSR Act. Subject to A&P's right to terminate the merger agreement prior to December 5, 2007 in the event that A&P has determined in good faith, subject to certain requirements, that required divestitures would be reasonably likely to exceed \$36.0 million of aggregate scheduled store level cashflow, A&P has agreed to use best efforts to take all actions necessary to, among other things, resolve any objections to the merger asserted by governmental authorities under antitrust laws and to prevent or have lifted any court order preventing or delaying the merger. This obligation includes, without limitation, executing settlements, undertakings, consent decrees, stipulations or other agreements and proposing to sell, divest, or otherwise convey any of its assets or the assets to be acquired in the merger, as necessary. Additionally, if the merger agreement is not terminated by December 5, 2007, the limitations on required asset dispositions set forth above will cease to apply, and A&P will remain obligated to use its best efforts to resolve any objections to the merger asserted by governmental authorities under antitrust laws and to prevent or have lifted any court order preventing or delaying the merger. The extent to which asset dispositions will be required and in what amount, and whether A&P will be able to dispose of such assets or, if those assets are sold, at which price they may be sold and the impact that such dispositions may have on A&P's profitability, is uncertain.

***The failure to successfully integrate Pathmark's business and operations in the expected time frame may adversely affect A&P's future results.***

The success of the merger will depend, in part, on the combined company's ability to realize the anticipated benefits from combining the businesses of A&P and Pathmark, including, as A&P has announced, anticipated annual integration synergies of approximately \$150 million within two years, through cost reductions in overhead, greater efficiencies, increased utilization of support facilities and the adoption of mutual best practices between the two companies. To realize these anticipated benefits, however, the businesses of A&P and Pathmark must be successfully combined. If the combined company is not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

A&P and Pathmark have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in the loss of key employees, as well as the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any or all of which could adversely affect A&P's ability to maintain relationships with customers and employees after the merger or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of A&P and Pathmark.

***The market price for A&P common stock may be affected by factors different from those affecting the shares of Pathmark.***

Upon completion of the merger, holders of Pathmark common stock will become holders of A&P common stock. A&P's businesses differ from those of Pathmark, and accordingly the results of operations of the combined company will be affected by factors different from those currently affecting the results of operations of Pathmark. For a discussion of the businesses of A&P and Pathmark and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this joint proxy statement/prospectus and referred to under [Where You Can Find More Information](#).

***Some directors, executive officers and significant stockholders of A&P and Pathmark have interests in the merger that may differ from the interests of the A&P and Pathmark stockholders.***

When considering the Pathmark board of directors' unanimous recommendation that the Pathmark stockholders vote **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, and the A&P board of directors' unanimous recommendation that A&P stockholders vote **FOR** the proposal to approve the issuance of shares of A&P common stock pursuant to the merger agreement, you should be

aware that certain directors and executive officers of Pathmark and A&P, the Yucaipa Investors, Pathmark's largest stockholder, and Tengelmann, A&P's largest stockholder, each have interests in the merger agreement and the merger that are different from, and may conflict with, your interests.

In addition, subject to certain conditions, in connection with the merger, Gregory Mays, a director of Pathmark, will be elected by the existing A&P directors to fill the existing vacant position on the A&P board of directors without stockholder action, as provided for under the bylaws of A&P and in accordance with Maryland law. The directors and executive officers of Pathmark will receive certain benefits in connection with the merger, including accelerated vesting of stock options and restricted stock. Additionally, certain executive officers may be entitled to receive severance payments in connection with the merger. A&P has agreed to continue certain indemnification arrangements for directors and executive officers of Pathmark. Affiliates of the Yucaipa Investors will receive certain fees in connection with the merger. Additionally, warrants to purchase Pathmark common stock owned by the Yucaipa Investors will be converted into warrants to acquire A&P common stock and the Yucaipa Investors will receive certain registration rights for shares of A&P common stock acquired by the Yucaipa Investors in connection with the merger and those issuable upon conversion of the Yucaipa Investors' warrants. Tengelmann has entered into a stockholder agreement with A&P whereby Tengelmann will have certain approval, registration, preemptive and other rights after the merger. The A&P and Pathmark boards of directors were aware of these interests and considered them, among other matters, in authorizing and advising stockholder approval of the merger agreement and the A&P share issuance. See Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Interests of Certain Persons in the Merger.

***The shares of A&P common stock to be received by Pathmark stockholders as a result of the merger will have different rights than shares of Pathmark common stock.***

Following completion of the merger, Pathmark stockholders will no longer be stockholders of Pathmark, a Delaware corporation, but will instead be stockholders of A&P, a Maryland corporation. There will be important differences between Pathmark stockholders' current rights and the rights to which they will be entitled as stockholders of A&P as a result of differences between Delaware law and Maryland law and the governing documents of Pathmark and A&P. See Adoption of the Merger Agreement (Pathmark Proposal 1) Comparison of Stockholders' Rights for a discussion of the different rights associated with A&P and Pathmark common stock.

***Two putative class action complaints were filed and subsequently consolidated and amended in connection with the transactions and, if decided adversely to the defendants, could result in the entry of an injunction against the completion of the merger and an order for other relief.***

Two putative class action complaints were filed in New Jersey State court on March 6, 2007, and March 12, 2007, and were subsequently consolidated on June 15, 2007 and amended on July 16, 2007 (Superior Court of the State of New Jersey, Middlesex County, Civil Action No. C-111-07), alleging, *inter alia*, that the preliminary proxy statement included insufficient disclosures, breach of fiduciary duty by the directors of Pathmark, and aiding and abetting the breach of that duty by Pathmark and A&P. The consolidated amended complaint seeks, among other things, to enjoin the merger. On September 28, 2007, plaintiffs and defendants executed a Stipulation of Settlement (the *Settlement*) providing for dismissal of the litigation and an exchange of releases. As part of the negotiated settlement, Pathmark and A&P agreed to make certain disclosures reflected in this joint proxy statement/prospectus, subject to any modifications to be made in response to additional SEC comments. As part of the negotiated settlement, A&P agreed to pay plaintiffs' attorneys' fees and expenses in an amount not to exceed \$1.25 million.

On October 1, 2007, the Superior Court of the State of New Jersey, Middlesex County, entered an order preliminarily approving the Settlement and preliminarily certifying a settlement class, which consists of all persons or entities who were record or beneficial holders of shares of Pathmark common stock at any time during the period from (and including) September 26, 2006 through the closing of the merger. The Court also set October 26, 2007 as the deadline for any objections by class members and scheduled the settlement hearing on November 5, 2007 (additional information about the Court's October 1, 2007 order and the Settlement is available at [www.grocerymergersettlement.com](http://www.grocerymergersettlement.com)). A&P and Pathmark continue to believe that the case is without merit, but have determined that a prompt resolution of the litigation pursuant to the terms of the proposed Settlement is in the best interests of A&P and Pathmark shareholders. In the event the proposed Settlement is not approved or effected, any

judgments in respect of this lawsuit adverse to

A&P and Pathmark may adversely affect A&P and Pathmark's ability to consummate the merger, or may otherwise oblige them, through judicial order, to provide other relief.

### **Risks Relating to A&P's Operations (Including Pathmark) After Completion of the Merger**

*General economic conditions affecting the food industry may affect A&P's business and may adversely affect A&P's operating results.*

The retail food and food distribution industries are sensitive to a number of economic conditions such as (i) food price deflation or inflation, (ii) softness in local and national economies, (iii) increases in commodity prices, (iv) the availability of favorable credit and trade terms, and (v) other economic conditions that may affect consumer buying habits. Any one or more of these economic conditions can affect A&P's retail sales, the demand for products A&P distributes to its retailer customers, its operating costs and other aspects of its business.

*Threats or potential threats to food safety may adversely affect A&P's business.*

Acts of war, threats of terror, acts of terror or other criminal activity directed at the grocery or drug store industry, the transportation industry, or computer or communications systems, could increase security costs, adversely affect A&P's operations, or impact consumer behavior and spending as well as customer orders. Other events that give rise to actual or potential food contamination, drug contamination, or food-borne illness could have an adverse effect on A&P's operating results.

*A&P faces a high level of competition in the retail food and food distribution businesses from several retail formats, which may adversely affect A&P's profitability.*

The industries in which A&P competes are extremely competitive. Both the retail food and food distribution businesses are subject to competitive practices that may affect (i) the prices at which A&P is able to sell products at its retail locations; (ii) sales volume; (iii) the ability of A&P's distribution customers to sell products it supplies, which may affect future orders; and (iv) A&P's ability to attract and retain customers. In addition, the nature and extent of consolidation in the retail food and food distribution industries could affect A&P's competitive position or that of its distribution customers in the markets it serves.

A&P's retail food business faces competition from other retail chains, supercenters, nontraditional competitors and emerging alternative formats in the markets where it has retail operations. In the food distribution business, A&P's success depends in part on the ability of its independent retailer customers to compete effectively, its ability to attract new customers, and its ability to supply products in a cost-effective manner. Declines in the level of retail sales activity of distribution customers due to competition, consolidations of retailers or competitors, increased self-distribution by A&P's customers, or the entry of new or nontraditional distribution systems into the industry may adversely affect A&P's revenues.

### **Risks Relating to Financing**

*A&P will take on substantial additional indebtedness to finance the merger, which will decrease A&P's business flexibility and increase its borrowing costs.*

Upon completion of the merger, A&P will have consolidated indebtedness that will be substantially greater than its indebtedness prior to the merger. The increased indebtedness and higher debt- to-equity ratio of A&P in comparison to that of A&P on a historical basis will have the effect, among other things, of reducing the flexibility of A&P to respond to changing business and economic conditions and increasing borrowing costs. See Unaudited Pro Forma Condensed Combined Financial Information.

***The financing arrangements that A&P expects to enter into in connection with the merger will contain restrictions and limitations that could significantly impact A&P's ability to operate its business.***

A&P is incurring significant debt in connection with the merger. It is expected that A&P will utilize much of the financing to be made available pursuant to the financing commitments discussed

in Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Financing to fund a portion of the cash consideration payable to the Pathmark stockholders in the merger. A&P, on a pro forma basis, will have approximately \$615 million of debt under its new senior secured revolving credit facility, and either \$780 million in aggregate principal amount of new senior secured notes or a \$780 million bridge facility. In addition, approximately \$1,495.1 million of existing debt of A&P and Pathmark will remain outstanding following the merger.

This debt could limit A&P's financial and operating flexibility, including by requiring A&P to dedicate a substantial portion of its cash flow from operations and the proceeds of equity issuances to the repayment of its debt and the interest on its debt, making it more difficult for the combined company to obtain additional financing on favorable terms, limiting the combined company's ability to capitalize on significant business opportunities and making the combined company more vulnerable to economic downturns.

A&P expects that the agreements governing the indebtedness that it will incur in connection with the merger will contain covenants that, among other things, will limit the ability of A&P and certain of its subsidiaries to:

- make payments in respect of, or redeem or acquire, debt or equity issued by A&P or its subsidiaries, including the payment of dividends on A&P common stock;

- incur additional indebtedness;

- incur guarantee obligations;

- pay dividends;

- create liens on assets;

- enter into sale and leaseback transactions;

- make investments, loans or



advances;

enter into  
hedging  
transactions;

engage in  
mergers,  
consolidations  
or sales of all  
or  
substantially  
all of their  
respective  
assets; and

engage in  
certain  
transactions  
with affiliates.

In addition, A&P will be required to comply with certain financial covenants set forth in these agreements. Certain of these agreements will require A&P to make an offer to purchase the related debt if A&P experiences specified changes of control or sells certain assets, and A&P's failure to purchase such debt agreements in accordance with the terms would result in a default under such agreements.

In addition, if A&P fails to maintain a specified minimum level of borrowing capacity under the senior secured revolving credit facility, which we refer to as the *ABL Facility*, which is more fully described in Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Financing, A&P will then be subject to a financial covenant under the ABL Facility that will obligate A&P to make mandatory prepayments under the ABL Facility to the extent the minimum level of borrowing capacity is exceeded.

A&P's ability to comply with this covenant in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond A&P's control. The ability to comply with this covenant in future periods will also depend on A&P's ability to successfully implement A&P's overall business strategy and realize contemplated merger synergies.

Various risks, uncertainties and events beyond A&P's control could affect its ability to comply with the covenants contained in its debt agreements. Failure to comply with any of the covenants in its existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, A&P might not have sufficient funds or other resources to satisfy all of its obligations. In addition, the limitations imposed by financing agreements

on A&P's ability to incur additional debt and to take other actions might significantly impair its ability to obtain other financing. A&P cannot assure you that it will be granted waivers or amendments to these agreements if for any reason it is unable to comply with these agreements, or that it will be able to refinance its debt on terms acceptable to it, or at all.

***The terms of A&P's debt financing arrangements have not been finalized and are subject to market risk, which could result in less favorable borrowing costs and financial conditions than anticipated.***

The terms of the various credit facilities and debt financing arrangements described under "Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Financing" reflect the current state of discussions with respect to financing and have not yet been finalized. As such, those terms may materially change depending on market conditions at the time of the incurrence or offering of such indebtedness. The economic terms of the indebtedness, including interest rates and redemption prices, will be determined as part of the offering process and will vary depending on market conditions. Adverse market conditions could result in higher than expected redemption prices or subject A&P to restrictive covenants that impose restrictions and limitations that are in addition to, or more restrictive than, those currently expected. The funding of the bridge facility, if it occurs, would exacerbate these risks and could adversely affect the ability of A&P and/or its subsidiaries to obtain other debt financing on favorable terms. In addition, if the bridge facility is funded in lieu of issuing the notes, the interest expense payable by the borrower could increase. See "Unaudited Pro Forma Condensed Combined Financial Information."

***A&P cannot assure you that it will be able to generate sufficient cash flow needed to service its indebtedness, and its inability to do so would adversely affect A&P's financial condition.***

A&P's ability to make scheduled payments on its indebtedness and to fund planned capital expenditures will depend on the ability of A&P and its subsidiaries to generate cash flow in the future. A&P's future performance is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. In addition, A&P's ability to borrow funds in the future will depend on the satisfaction of the covenants in A&P's credit facilities and its other debt agreements and other financing arrangements it may enter into in the future. In the event that the credit facilities need to be refinanced, A&P cannot assure you that it will be able to do so or obtain additional financing, particularly because of its anticipated high levels of debt and the debt incurrence restrictions imposed by its debt agreements, as well as prevailing market conditions. A&P cannot assure you that its business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable A&P to service its debt and fund its other liquidity needs.

If A&P's cash flow and capital resources are insufficient to fund its debt service obligations, A&P may be forced to reduce or delay capital expenditures, sell assets or seek to obtain additional equity capital, or refinance its indebtedness or obtain additional financing. In the future, A&P's cash flow and capital resources may not be sufficient for payments of interest on and principal of its debt and there can be no assurance that any of, or a combination of, such alternative measures would provide A&P with sufficient cash flows. In addition, such alternative measures could have an adverse effect on A&P's business, financial condition and results of operations.

In the absence of sufficient operating results and resources, A&P could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations or otherwise risk default under the agreements governing its indebtedness. These agreements are expected to restrict A&P's ability to dispose of assets and restrict the use of proceeds from any such dispositions. If required, A&P cannot be sure as to the timing of such sales or adequacy of the proceeds that it could realize therefrom.

***An increase in interest rates would increase the cost of servicing A&P's debt and could reduce A&P's profitability.***

A significant portion of the debt that A&P will incur in connection with the merger will bear interest at variable rates. As a result, an increase in interest rates, whether because of an increase in market interest rates or a decrease in A&P's credit worthiness, would increase the cost of servicing

A&P's debt and could materially reduce A&P's profitability and cash flows. The impact of such an increase would be more significant for A&P than it would be for less leveraged companies because of A&P's substantial debt.

***A&P's bridge facility and ABL Facility agreement may contain conditions that may not be satisfied, in which case A&P would need to arrange for alternative sources of financing, which could result in a less favorable financial condition than anticipated.***

A&P has entered into a debt financing commitment letter with respect to a bridge facility and the ABL Facility under which it may borrow up to \$1.395 billion. The commitment letter contemplates credit facilities containing various conditions to A&P's ability to borrow loans thereunder, including conditions that:

there has  
been no  
change, event  
or  
circumstance  
that has  
occurred that  
has had a  
material  
adverse effect  
on Pathmark  
that is  
continuing, or  
would  
reasonably be  
expected to  
have a  
material  
adverse effect  
on Pathmark  
since the date  
of the merger  
agreement;  
and

no  
agreement,  
order or  
decree has  
been entered  
into, or  
issued,  
requiring  
A&P,  
Pathmark or  
their  
respective  
subsidiaries  
to divest,

dispose of or  
sell off any  
businesses or  
assets  
representing  
more than  
\$36.0 million  
of aggregate  
scheduled  
store level  
cashflow.

If these conditions are not satisfied, or any of the other conditions contained in the commitment letter are not satisfied or the proceeds of the financing are unavailable for any reason, A&P may have to arrange for alternative sources of financing, which may be more expensive for A&P, may have an adverse impact on A&P's post-merger capital structure, or may be unavailable.

***Despite current indebtedness levels, A&P and its subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with A&P's substantial leverage.***

A&P and its subsidiaries may be able to incur substantial additional indebtedness in the future. Although the contemplated facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any indebtedness incurred in compliance with these restrictions could be substantial. For example, A&P will have the right under the ABL Facility to request up to \$100 million of additional commitments under this facility, although the lenders under this facility will not be under any obligation to provide any such additional commitments. Any increase in commitments under this facility will be subject to customary conditions precedent, and A&P's ability to borrow under this facility as so increased would remain limited by the amount of the borrowing base. The bridge facilities would allow A&P to incur this additional indebtedness under the ABL Facility without any restriction.

***A&P's ability to borrow under its revolving credit facility will be limited based on the value of a borrowing base that may fluctuate, which may diminish A&P's ability to use the revolving credit facility to meet its financing needs as anticipated.***

The contemplated ABL Facility will provide A&P with revolving loans, the amounts of which are based upon the estimated value of the borrowing base. The borrowing base will be comprised of A&P assets such as inventory, credit card receivables, prescription lists, prescription receivables, Coinstar receivables, real estate and leaseholds. If any estimates of the value of these assets are diminished, the borrowing base may be reduced, which may affect the amounts available under the ABL Facility. Furthermore, A&P's ability to borrow under the ABL Facility is subject to borrowing base limitations, including an excess availability reserve.

**SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

Some of the statements contained or incorporated by reference into this joint proxy statement/prospectus, including those relating to A&P's and Pathmark's strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as will, should, may, expects, anticipates, intends, plans, believes, estimates and similar expressions, are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the *Exchange Act*). Forward-looking statements include the information concerning possible or assumed future results of operations of A&P and Pathmark as set forth under Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger A&P's Reasons for the Merger; Recommendation of the A&P Board of Directors, Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Pathmark's Reasons for the Merger; Recommendation of the Pathmark Board of Directors, Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Opinion of A&P's Financial Advisor and Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Opinion of Pathmark's Financial Advisor. These statements are not historical facts but instead represent only A&P's and Pathmark's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include the risk factors set forth above and other market, business, legal and operational uncertainties discussed elsewhere in this document and the documents that are incorporated herein by reference. Those uncertainties include, but are not limited to:

the ability to obtain requisite governmental approvals for the merger on the proposed terms and schedule, including the expiration or termination of the waiting period under the HSR Act, including any extension of the waiting period;

the failure of the Pathmark stockholders to adopt the merger agreement and the transactions contemplated thereby, including the merger;

the failure of  
the A&P  
stockholders to  
approve the  
issuance of  
A&P's common  
stock pursuant  
to the merger  
agreement;

the risk that the  
businesses of  
A&P and  
Pathmark will  
not be  
successfully  
integrated  
following the  
consummation  
of the merger;

disruption  
from the  
merger,  
including lost  
business  
opportunities  
and difficulty  
maintaining  
relationships  
with  
employees,  
customers and  
suppliers;

legal risks,  
including  
litigation,  
whether or not  
related to the  
merger, and  
legislative and  
regulatory  
developments;  
and

changes in  
general  
economic and  
market

conditions.

A&P's and Pathmark's actual results and financial conditions may differ, perhaps materially, from the anticipated results and financial conditions in any forward-looking statements, and, accordingly, readers are cautioned not to place undue reliance on such statements.

For more information concerning factors that could affect A&P's and Pathmark's future results and financial conditions, see, in addition to the factors discussed under "Risk Factors," of this joint proxy statement/prospectus, "Management's Discussion and Analysis" and "Risk Factors" in each of A&P's annual report on Form 10-K for the year ended February 24, 2007 and Pathmark's annual report on Form 10-K, as amended, for the year ended February 3, 2007, which are incorporated by reference into this joint proxy statement/prospectus. A&P and Pathmark undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.



## THE A&P SPECIAL MEETING

### Date, Time and Place

The A&P special meeting will be held at The Woodcliff Lake Hilton, 200 Tice Boulevard, Woodcliff Lake, New Jersey, on November 8, 2007, at 9:00 a.m., Eastern Standard Time.

### Purpose of the Special Meeting

At the special meeting, A&P stockholders will be asked:

1. to consider and vote upon a proposal to approve the issuance of shares of A&P common stock pursuant to the merger agreement,
2. to consider and vote upon a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies, and
3. to transact any other business that may properly be brought before the special meeting and any adjournments or postponements thereof.

### The A&P Board's Recommendation

**The A&P board of directors has unanimously determined that the merger agreement and the A&P proposals are advisable and in the best interests of A&P and its stockholders and unanimously recommends that A&P**

**stockholders vote FOR the proposal to approve the issuance of shares of A&P common stock pursuant to the merger agreement and FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.**

**Record Date; Required Vote; How to Vote; Quorum**

The A&P board of directors has fixed the close of business on October 8, 2007 as the record date for determining the holders of A&P common stock entitled to notice of, and to vote at, the special meeting. Only holders of record of A&P 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.

As of the record date, 41,960,817 shares of A&P common stock were issued and outstanding and entitled to vote at the special meeting and there were approximately 4,642 holders of record of A&P common stock. Each share of A&P 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 A&P common stock, you may vote your shares of A&P 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 A&P 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 purposes of determining whether a quorum exists at the special meeting.

The stock issuance proposal 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 total votes cast on the proposal represent at least a majority of the outstanding shares of A&P common stock entitled to vote on the proposal. Because approval is based on the affirmative vote of a majority of votes cast, an A&P stockholder's failure to vote will not affect the outcome of the vote on the proposal, assuming more than a majority of the outstanding shares are voted on the proposal. Because the NYSE treats abstentions as votes cast with respect to the stock issuance proposal, an abstention will have the same effect as a vote AGAINST this proposal.

Tengelmann has agreed to vote all of its shares of A&P common stock, approximately 53% of the outstanding A&P common stock as of the A&P record date, in favor of the issuance of A&P

common stock in the merger and the amendment to the A&P charter. This means that the approval of the issuance of the A&P common stock pursuant to the merger agreement is assured.

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 A&P common stock at the special meeting.

Acting upon any procedural matters incident to the conduct of the special meeting will require the affirmative vote of a majority of the votes cast by the holders of A&P common stock with respect to such proposal.

A&P 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 joint proxy statement/prospectus mailed to A&P stockholders is accompanied by a form of proxy and a self-addressed postage pre-paid envelope.

If you are a registered stockholder (that is, if you hold your A&P common stock in certificate form), you should either complete and return the proxy card accompanying this joint proxy statement/prospectus, 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 or nominee with this joint proxy statement/prospectus. 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  
A&P'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  
November  
7, 2007 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 A&P 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 A&P 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 A&P common stock without specifying on the proxy card, as to one or both proposals, how you want your shares of A&P common stock voted, your proxy will be voted (1) FOR the proposal to approve the issuance of A&P common stock in connection with the merger, if you do not specify a vote FOR or AGAINST that proposal; and (2) FOR 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 incident to the conduct of 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.

A&P stockholders should NOT send stock certificates with their proxy cards. A&P stockholders will continue to hold their A&P stock certificates following the merger and are not required to take any action with respect to their A&P stock certificates.

### **Effects of Abstentions**

Absent specific instructions from the beneficial owner of shares, brokers may not vote shares of A&P common stock with respect to the share issuance or the adjournment or postponement of the special meeting, any other matters that may properly come before the special meeting, or any adjournment of the special meeting. Because the NYSE treats abstentions as votes cast with respect to the stock issuance proposal, an abstention will have the same effect as a vote AGAINST this proposal. Because Maryland law does not treat abstentions as votes cast with respect to 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 such proposal.

### **Share Ownership of Management and Certain Stockholders**

At the close of business on the A&P record date, A&P's directors and executive officers as a group owned and were entitled to vote 22,222,970 shares of A&P common stock, representing approximately 52.96% of the outstanding shares of A&P common stock entitled to vote (and excluding the shares held by Tengelmann in which Mr. Haub shares voting and investment power, approximately 0.54%). All of the directors and executive officers of A&P that are entitled to vote at the A&P special meeting have indicated that they currently intend to vote their shares of A&P common stock in favor of the proposal to approve the issuance of A&P common stock in connection with the merger.

Tengelmann has entered into a voting agreement with Pathmark pursuant to which Tengelmann has agreed to vote its shares of A&P common stock, approximately 53% of the shares of A&P common stock outstanding as of the A&P record date, in favor of the proposal to approve the issuance of A&P common stock in connection with the merger and against any proposal that would compete with or delay the merger, subject to specified exceptions. See Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Interests of Certain Persons in the Merger.

### **Solicitation of Proxies**

A&P will bear the costs of soliciting proxies from its stockholders. Other than as described in more detail under Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Termination Fees and Expenses, each of A&P and Pathmark will generally bear its own costs and expenses in connection with the merger. In addition to soliciting proxies by mail, directors, officers and employees of A&P, without receiving additional compensation therefor, may solicit proxies by telephone, by facsimile or in person. Arrangements may also be made with brokerage

firms and other custodians, nominees and fiduciaries to forward solicitation materials to

the beneficial owners of shares held of record by those persons, and A&P will reimburse those brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection with those actions. In addition, MacKenzie Partners, Inc. ( *Mackenzie Partners* ) has been retained by A&P to assist in the solicitation of proxies. MacKenzie Partners may contact holders of shares of A&P common stock by mail, telephone, facsimile, telegraph or personal interviews and may request brokers, dealers and other nominee stockholders to forward materials to beneficial owners of shares of A&P common stock. MacKenzie Partners 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.

### **Adjournments**

Although it is not expected, the A&P special meeting may be adjourned or postponed for the purpose of soliciting additional proxies or for any other reason. The Maryland General Corporation Law 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 bylaws of A&P further state that if there is no quorum present at the A&P special meeting, the holders of a majority of the outstanding shares of voting stock present in person or represented by proxy at the A&P 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 A&P 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 A&P stockholders who have already sent in their revocable proxies to revoke them at any time prior to their use.

## **THE PATHMARK SPECIAL MEETING**

### **Date, Time and Place**

This joint proxy statement/prospectus is being furnished to Pathmark stockholders as part of the solicitation of proxies by the Pathmark board of directors for use at the special meeting to be held on November 8, 2007, at 10:00 a.m., Eastern Standard Time, at Pathmark's corporate headquarters, 200 Milik Street, Carteret, New Jersey 07008.

### **Purpose of the Special Meeting**

At the special meeting, Pathmark stockholders will be asked:

1. to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated March 4, 2007, by and among Pathmark, A&P and Merger Sub, and the transactions



contemplated by the merger agreement, as amended from time to time, including the merger, pursuant to which Merger Sub would merge with and into Pathmark and each outstanding share of Pathmark common stock would be converted into the right to receive \$9.00 in cash and 0.12963 shares of A&P common stock;

2. to consider and vote upon a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies; and
3. to consider and vote on such other matters as may properly come before the special meeting or any adjournment or

postponement  
thereof.

**The Pathmark Board's Recommendation**

The Pathmark board of directors has unanimously determined that that the merger is advisable, fair to and in the best interests of Pathmark and the Pathmark stockholders and has approved the merger agreement and the merger.

**Accordingly, the Pathmark board of directors unanimously recommends that Pathmark stockholders vote FOR the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger.** See Adoption of the

Merger Agreement (Pathmark Proposal 1) The Merger Pathmark's Reasons for the Merger; Recommendation of the Pathmark Board of Directors.

**Additionally, the Pathmark board of directors unanimously recommends that the Pathmark stockholders vote FOR the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies.**

### **Record Date**

The record holders of shares of Pathmark common stock as of the close of business on October 8, 2007, the record date for the Pathmark special meeting, are entitled to receive notice of, and to vote at, the special meeting. On the record date, there were 52,558,999 outstanding shares of Pathmark common stock and there were approximately 546 holders of record of Pathmark common stock.

### **Required Vote; How to Vote**

Each outstanding share of Pathmark common stock on the record date entitles the holder to one vote at the special meeting. Adoption of the merger agreement and the transactions contemplated thereby, including the merger, requires the affirmative vote FOR the proposal to adopt the merger agreement by a majority of the shares of Pathmark common stock outstanding on the record date and entitled to vote on the matter. The adoption of the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies requires the affirmative vote FOR the proposal by a majority of shares of Pathmark common stock represented in person or by proxy at the special meeting and entitled to vote thereon. In the absence of a quorum, holders of a majority of the shares present in person or represented by proxy may adjourn the meeting until a quorum shall be attained. The approval of any other such other matters as may be properly presented incident to the conduct of the special meeting requires the affirmative vote FOR the approval of any such proposed transaction by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the matter. In order for your shares of Pathmark common stock to be included in the vote, you must submit a proxy to have your shares voted by completing, signing, dating and returning the enclosed proxy or by voting in person at the special meeting.

If your shares of Pathmark common stock are held in street name by your bank, brokerage firm or nominee, you should instruct them how to vote your shares of Pathmark common stock using the instructions provided by them. If you have not received such voting instructions or require further information regarding such voting instructions, contact your bank, brokerage firm or nominee and they can give you directions on how to vote your shares. Under NASDAQ rules, banks, brokerage firms or nominees who hold shares of common stock in street name for customers without investment discretion over a customer's account pursuant to an advisory contract and who have not been designated in writing by the customer to vote proxies may not exercise their voting discretion in respect of the proposal to adopt the merger agreement or the proposal to adjourn or postpone the meeting, if necessary, to solicit additional proxies. Accordingly, absent specific instructions from the beneficial owner of such shares, banks, brokerage firms or nominees are not empowered to vote such shares at the special meeting on the proposal to adopt the merger agreement or the proposal to adjourn or postpone the meeting, if necessary, to solicit additional proxies. If your shares are held in street name and you do not provide your bank, brokerage firm or nominee with instructions as to how such shares are to be voted, your shares will not be submitted in connection with the special meeting. Because adoption of the merger agreement and the transactions contemplated thereby, including the merger, requires the affirmative vote FOR the approval of the proposal to adopt the merger agreement by a majority of shares of Pathmark common stock outstanding on the record date and entitled to vote on the matter, abstentions and failures to vote by you will have the same effect as a vote AGAINST the proposal. Because approval of the proposal to adjourn or postpone the meeting, if necessary, to solicit additional proxies, and approval of any other such matters as may be properly presented incident to the conduct of the special meeting requires the affirmative vote FOR the approval of any such matters by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the matter, abstentions will count as a vote



AGAINST the proposed matters, and the failure to attend the meeting and vote in person, to submit a proxy, or to instruct your bank, brokerage firm or nominee on how to vote your shares will not affect the outcome of the proposal.

### **Quorum**

A quorum is necessary to hold the Pathmark special meeting. The holders of a majority of the outstanding shares of Pathmark common stock on the record date, represented in person or by proxy and entitled to vote at the Pathmark special meeting, will constitute a quorum for purposes of the Pathmark special meeting. For purposes of determining the presence of a quorum, abstentions will be included in determining the number of shares present and entitled to vote at the meeting; however, because brokers are not entitled to vote on the proposal to adopt the merger agreement absent specific instructions from the beneficial owner, shares held by brokers with respect to which instructions have not been provided will not be included in the number of shares present and entitled to vote at the meeting for purposes of establishing a quorum. Any shares of Pathmark common stock held in treasury by Pathmark or by any of its subsidiaries are not considered to be outstanding for purposes of determining a quorum. In the absence of a quorum, holders of a majority of the shares present or represented by proxy at the special meeting may adjourn the meeting until a quorum is present. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment or postponement of the special meeting. If a new record date is set for the adjourned special meeting, however, then a new quorum will have to be established.

### **Proxies; Revocation**

Each copy of this joint proxy statement/prospectus mailed to Pathmark stockholders is accompanied by a form of proxy and a self-addressed postage pre-paid envelope. If you are a registered stockholder (that is, if you hold your Pathmark common stock in certificate form), you should either complete and return the proxy card accompanying this joint proxy statement/prospectus 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 vote your shares of Pathmark common stock by properly completing, signing and dating the enclosed proxy card, your shares will be voted at the Pathmark special meeting as you indicate on your proxy card. If no instructions are indicated on your signed and dated proxy card, your shares of common stock will be voted FOR the approval and adoption of the merger agreement and transactions contemplated thereby, including the merger, will be voted FOR the adoption of the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies and will be counted in accordance with the recommendations of Pathmark's board of directors on any other matters properly brought before the Pathmark special meeting for a vote.

You may revoke your proxy at any time before the vote is taken at the Pathmark special meeting. To revoke your proxy, you must either properly advise Pathmark's Secretary in writing, deliver a proxy dated after the date of the proxy you wish to revoke or attend the Pathmark special meeting and vote your shares in person. Attendance at the Pathmark special meeting will not by itself constitute revocation of a proxy. If you have instructed your bank, brokerage firm or nominee to vote your Pathmark shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by them to revoke your proxy.

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

Pathmark Stores, Inc.  
200 Milik Street  
Carteret, New Jersey 07008  
Telephone: (732) 499-3000  
Attention: Secretary



Pathmark does not expect that any matter other than the proposal to adopt and approve the merger agreement and the transactions contemplated thereby, including the merger, will be brought before the Pathmark special meeting. If, however, such a matter is properly presented at the special meeting or any adjournment or postponement thereof, the persons appointed as proxies will have discretionary authority to vote the shares represented by duly executed proxies in accordance with their discretion and judgment.

### **Solicitation of Proxies**

Pathmark will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, directors, officers and employees of Pathmark may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. Arrangements may also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares held of record by those persons, and Pathmark will reimburse those brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection with those actions. In addition, Mellon Investor Services LLC has been retained by Pathmark to assist in the solicitation of proxies. Mellon Investor Services LLC may contact holders of shares of Pathmark common stock by mail, telephone, facsimile, telegraph or personal interviews and may request brokers, dealers and other nominee stockholders to forward materials to beneficial owners of shares of Pathmark common stock. Mellon Investor Services LLC will receive reasonable and customary compensation for its services (estimated at \$5,000) and will be reimbursed for certain reasonable out-of-pocket expenses and other customary costs.

### **Adjournments**

Although it is not expected, the Pathmark special meeting may be adjourned or postponed for the purpose of soliciting additional proxies or for any other reason. Any adjournment or postponement may be made without notice, other than by an announcement made at the Pathmark special meeting, by approval of the holders of a majority of the shares of Pathmark common stock present in person or represented by proxy at the special meeting. Any signed proxies received by Pathmark which are otherwise silent on the matter will be voted in favor of the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies. Any adjournment of the Pathmark special meeting for the purpose of soliciting additional proxies will allow Pathmark stockholders who have already sent in their proxies to revoke them at any time prior to their use.

### **Share Ownership of Management and Certain Stockholders**

At the close of business on the record date, the directors and executive officers of Pathmark owned, in the aggregate, 661,567 shares of Pathmark common stock, representing approximately 1.26% of the outstanding shares of Pathmark common stock entitled to vote (and together with the shares held by the Yucaipa Investors, approximately 39.31%). The directors and executive officers have informed Pathmark that they intend to vote all of their shares of Pathmark common stock FOR the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger.

At the close of business on the record date, the Yucaipa Investors beneficially owned 20,000,100 shares of Pathmark common stock (excluding shares of Pathmark common stock issuable upon the exercise of warrants owned by the Yucaipa Investors to purchase shares of Pathmark common stock). The Yucaipa Investors have entered into a voting agreement with A&P pursuant to which the Yucaipa Investors have agreed to vote shares of Pathmark common stock that they own as of the Pathmark record date in favor of adoption of the merger agreement and the transactions contemplated thereby, *provided* that these voting obligations do not apply to any other shares owned by the Yucaipa Investors in excess of 33% of the outstanding Pathmark common stock. The remaining shares owned by the Yucaipa Investors may be voted in the Yucaipa Investors' discretion, although the Yucaipa Investors have expressed their present intention to vote all of the Pathmark shares they own (approximately 38% of the outstanding Pathmark common stock) in favor of the





adoption of the merger agreement. See Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Interests of Certain Persons in the Merger.

**Assistance**

If you need assistance in completing your proxy card or have questions regarding the Pathmark special meeting, please contact:

Pathmark Stores, Inc.  
200 Milik Street  
Carteret, New Jersey 07008  
Telephone: (732) 499-3000  
Attn: Investor Relations

or

Mellon Investor Services  
480 Washington Boulevard, 27th Floor  
Jersey City, New Jersey 07310  
Telephone: (800) 580-6412

**ADOPTION OF THE MERGER AGREEMENT (PATHMARK PROPOSAL 1)**

**THE MERGER**

**General**

On March 4, 2007, the Pathmark board of directors and the A&P board of directors each authorized and declared the advisability of the merger agreement, which provides for the acquisition by A&P of Pathmark through a merger of Merger Sub, a newly formed and wholly owned subsidiary of A&P, with and into Pathmark. After the merger, Pathmark will be the surviving corporation and will be a wholly owned subsidiary of A&P.

Upon completion of the merger, each share of Pathmark common stock (other than dissenting shares) will be converted into the right to receive (i) 0.12963 of a share of A&P common stock, par value \$1.00 per share, and (ii) \$9.00 in cash, without interest.

**Background of the Transaction**

In May 2004, Pathmark announced its preliminary first quarter results and revised downwards its earnings guidance for 2004. The first quarter results had been negatively affected by sales and gross profit pressures caused by steep inflation in certain product categories, unproductive sales promotions and increases in medical costs. Following this announcement, Pathmark's share price fell approximately 19% to close at \$6.91 on May 13, 2004. In light of these developments, Pathmark's board of directors determined that it should explore strategic alternatives for the company. During the remainder of 2004, Pathmark undertook a review of strategic alternatives, focusing in particular on a sale of Pathmark to a strategic buyer or private equity firm. During the course of that process, Pathmark hired an investment banker, Dresdner Kleinwort Wasserstein ( *DrKW* ), which solicited over fifty potentially interested parties. The list of potentially interested parties, which was compiled by DrKW based upon its familiarity with the supermarket industry and further input from Pathmark's board of directors and management team, was comprised of large strategic buyers, smaller strategic buyers with operations in geographic areas contiguous to those in which Pathmark operated, and financial buyers with a history of having made investments in the supermarket industry. DrKW was also retained to render a fairness opinion in the event that a sale of Pathmark was undertaken, and, as compensation for DrKW's services relating to its fairness evaluation, Pathmark agreed, among other things, to pay DrKW a customary fee (which was payable on the date on which DrKW rendered its opinion), to reimburse DrKW for its reasonable out-of-pocket expenses related to its engagement and to indemnify DrKW and specified related persons against specific liabilities relating to or arising out of its engagement.

Throughout the lengthy strategic review process, Pathmark received from a number of parties various proposals and indications of interest regarding potential strategic transactions, including change of control transactions. The Yucaipa Investors were among those parties who initially submitted an indication of interest in November of 2004, although they were not among the parties that were contacted by DrKW and, accordingly, had not signed a confidentiality agreement or received a confidential information memorandum prepared by DrKW and circulated to other potentially interested third parties. After considering the merits of these indications of interest, the Pathmark board arranged for management presentations to be given to certain parties in late November and early December of 2004. The Yucaipa Investors did not participate in these presentations and indicated that they were not prepared to move forward at that time unless the Yucaipa Investors were granted exclusivity or were reimbursed for certain expenses. On December 2, 2004 Pathmark publicly announced that it had retained DrKW to aid in reviewing strategic alternatives, which could result in a decision to sell the company.

On December 20, 2004, three parties submitted letters indicating varying degrees of interest in moving forward with a strategic transaction, but none submitted a definitive proposal. Although, the Yucaipa Investors did not submit a proposal at this time, the Yucaipa Investors entered into a confidentiality agreement with Pathmark on January 7, 2005 and submitted a proposal letter to Pathmark on January 20, 2005, which was accompanied by a term sheet and form of

exclusivity

agreement. During the weeks that followed, Pathmark continued to engage in negotiations with multiple parties who had submitted proposals and indications of interest, including the Yucaipa Investors, and, on March 9, 2005, the Pathmark board commenced exclusive negotiations with the Yucaipa Investors after considering, among other things, (i) the fact that two other potentially- interested parties indicated that they were several weeks away from being ready to sign a definitive acquisition agreement, (ii) the price-level signaled by the Yucaipa Investors (which represented a significant increase from its initial indication of interest) and the fact that the Yucaipa Investors were refusing to move forward without exclusivity, (iii) the execution risks associated with the other possible transactions, including the risk that employee departures in reaction to a possible break-up of the business would make it difficult to maintain Pathmark's business intact until closing; and (iv) the uncertainty of the financing needed to complete a number of the other remaining interested parties' proposals.

After evaluating the various strategic alternatives available to Pathmark, the Pathmark board decided that the sale of a substantial minority interest to the Yucaipa Investors, in the form of common stock and Series A and B Warrants for \$150 million in cash, was in the best interests of Pathmark and its stockholders and recommended its stockholders vote for the approval of the proposed transaction with the Yucaipa Investors. In the course of reaching its decision to approve the proposed transaction with the Yucaipa Investors, Pathmark's board of directors considered numerous factors, including, among others, (i) the fact that the consideration was all cash, so that Pathmark would be able to reduce its leverage and immediately use the invested funds in furtherance of its capital expenditure plans with the goal of improving its operating performance; (ii) the fact that a substantial portion of the Yucaipa Investors' upside was represented by the Series A and Series B Warrants giving the Yucaipa Investors an incentive to work to increase Pathmark's value and thereby helping to align their interests with those of the remaining stockholders; (iii) the generally successful record of the Yucaipa Group's investment performance; and (iv) the fact that Pathmark's stockholders would have the ability to share in any upside that might result from any future improved performance on the part of Pathmark. On May 6, 2005, Pathmark disseminated to its stockholders a proxy statement for a special meeting describing in detail the Yucaipa Investors transaction, the background of the transaction and the board's reasons for recommending the transaction. On June 9, 2005, the Pathmark stockholders approved the transaction with the Yucaipa Investors.

Pursuant to the Securities Purchase Agreement dated as of March 23, 2005 between Pathmark, the Yucaipa Investors and Yucaipa Companies (the *Yucaipa Purchase Agreement*), at the close of that transaction on June 9, 2005, Pathmark entered into the Stockholders Agreement with the Yucaipa Investors, which was subsequently amended and restated on August 23, 2005 and again on November 20, 2005, (the *Pathmark Stockholders Agreement*), relating to, among other matters, the governance of Pathmark after the closing, including the Yucaipa Investors' ability to designate representatives on Pathmark's board of directors, a requirement that Pathmark obtain written consent from the Yucaipa Investors prior to engaging in certain actions, and certain limitations on the Yucaipa Investors' ability to purchase or sell Pathmark securities. Four current members of the Pathmark board of directors were designated by the Yucaipa Investors to serve on the Pathmark board pursuant to the Pathmark Stockholders Agreement. These directors are: Michael Duckworth and Ira Tochner - both of whom are representatives of Yucaipa Companies - and David Jessick, the current Chairman of the Pathmark board, and Gregory Mays. Mr. Jessick and Mr. Mays had each previously held posts in companies in which the Yucaipa Group had invested and have each been determined by the Pathmark board of directors to be independent under the NASDAQ Marketplace Rules.

Concurrently with the execution of the Yucaipa Purchase Agreement, Pathmark also entered into the Management Services Agreement with Yucaipa Companies pursuant to which Yucaipa Companies would provide, in exchange for the payment of management fees and the reimbursement of expenses, general business and management consultation and advice regarding strategic planning and development, budgeting, capital expenditure strategy, store development plans, labor strategy, financing plans, general business and economic matters and such other similar management services as requested by Pathmark's board of directors or its chief executive officer.

Following the execution of the Yucaipa Purchase Agreement and the Management Services Agreement, Yucaipa Companies began exploration of strategic alternatives to enhance the value of the Yucaipa Investors' investment in Pathmark, including consideration of acquisitions of other businesses, stock-for-stock mergers with other companies, and a sale of control of Pathmark. Ronald Burkle, the chairman of Yucaipa Companies with many years of supermarket industry knowledge and substantial experience in negotiating strategic transactions, led this review of alternatives.

Mr. Burkle contacted Christian Haub, Executive Chairman of the Board of A&P and Co-Chief Executive Officer of Tengelmann, the owner of 53% of A&P's outstanding stock, as part of Yucaipa Companies' review of its alternatives and of ways to maximize the value of the Yucaipa Investors' investment in Pathmark. Mr. Burkle and Mr. Haub held several meetings during April, May and June of 2005 regarding a potential combination of Pathmark and A&P, including discussions regarding the potential benefits of a combination and operational synergies, as well as options for a pricing mechanism and exchange ratio that would be satisfactory to all parties. In addition, Mr. Burkle and Mr. Haub discussed the possibility of a merger of equals between A&P and Pathmark, the related options regarding pricing and governance, as well as A&P's goals with respect to the sale of its Canadian operations. These preliminary discussions, however, did not result in any specific acquisition proposals and Mr. Burkle and Mr. Haub decided not to proceed with further discussions because, in part, they believed at that time that the public market valuations of the companies did not adequately reflect, in the case of Pathmark, the Yucaipa Investors' purchase of a substantial minority interest in Pathmark, and in the case of A&P, the planned sale of its Canadian operations.

In August of 2005, John Standley was named by Pathmark to serve as its Chief Executive Officer and entered into an employment agreement with Pathmark pursuant to which he was retained to act in that capacity. Prior to his retention by Pathmark, Mr. Standley had held various executive posts in a number of companies engaged in the supermarket industry, including companies in which the Yucaipa Group had invested. Mr. Standley was also elected to the Pathmark board concurrently with his retention as Chief Executive Officer.

On October 25, 2005, the Pathmark board held a meeting at which the board discussed strategic alternatives for the company, including an acquisition of a supermarket chain with a significant number of stores in geographic areas that were contiguous to Pathmark's operating areas ( *Company A* ), and a merger of Pathmark with A&P.

Following the Pathmark board meeting, Mr. Haub, Mr. Burkle, Mr. Duckworth and Cameron Reilly, a representative of Yucaipa Companies, and representatives of JPMorgan, as financial advisor to A&P, held a meeting in New York City, at which the parties discussed the possibility of a stock-for-stock business combination between A&P and Pathmark. The parties discussed potential arrangements for the governance and management of the combined entity and transfer and standstill restrictions on Tengelmann and the Yucaipa Investors as well as options for an exchange ratio and pricing mechanism, alternatives for an extraordinary cash dividend by A&P, the exercise or conversion of the Yucaipa Investors' Series A and Series B Warrants and possible steps related to a merger of equals. Based on their discussion, Messrs. Haub and Burkle concluded that they could not reach common ground on a valuation that they could each recommend to their respective companies. Representatives of Yucaipa Companies also made preliminary inquiries regarding the acquisition of Company A; however, the pursuit of the acquisition was abandoned after Pathmark and Yucaipa Companies were informed that the owner of Company A had no interest in selling the stores in which Pathmark had expressed interest.

In early 2006, Mr. Burkle and Mr. Duckworth resumed discussions with Mr. Haub and Andreas Guldin, Co-Chief Financial Officer of Tengelmann, regarding a possible business combination of A&P and Pathmark. At the Pathmark board's direction, Mr. Burkle and Mr. Duckworth assumed an active role in these discussions because of, among other things, their interest, as representatives of Pathmark's largest stockholder, in ensuring that any transaction maximized stockholder value, the Yucaipa Group's extensive experience in supermarket industry acquisitions and because any strategic transaction of this nature would require the Yucaipa Investors' consent under the terms of the Pathmark Stockholders Agreement. In February 2006, Mr. Haub, Mr. Burkle, Mr. Duckworth and representatives of JPMorgan began discussions regarding a stock-for-stock merger of Pathmark and



A&P, structured as a merger of equals in which each company's stock would be valued based on then-current market prices, giving effect to an extraordinary cash dividend that A&P was otherwise planning to declare. Through an additional equity infusion, the Yucaipa Investors would have become significant stockholders of the combined company, with a stake approximately equal to that of Tengelmann, A&P's largest stockholder. As a result, Tengelmann and the Yucaipa Investors together would have owned more than 50% of the combined company and would have entered into agreements regarding board representation and governance and other stockholder rights. Under the potential transaction, the Yucaipa Investors' Series A Warrants would have been required by A&P to be exercised, but the exercise price would have been reduced in order to compensate the Yucaipa Investors for lost option value due to the forced early exercise. Under the potential transaction, the Series B Warrants would have been rolled over and exchanged for A&P warrants based on the transaction exchange ratio, which would have preserved the existing option value of the Series B Warrants.

At a regularly scheduled meeting of the Pathmark board of directors on March 13, 2006, Mr. Burkle advised the Pathmark board about the status of these discussions. In addition, Mr. Burkle advised the board that Yucaipa Companies had been approached by a third party regarding the possibility of Pathmark's partnering with such party in a major strategic acquisition of another company, whose operations included a supermarket chain with locations throughout the northeastern United States ( *Company B* ). The board concluded that Yucaipa Companies should continue to explore both of these potential transactions.

During March 2006, Mr. Burkle, Mr. Duckworth, Mr. Haub, Mr. Guldin and representatives of JPMorgan and Latham & Watkins LLP, counsel to Pathmark ( *Latham & Watkins* ), had numerous meetings and phone calls regarding the potential merger of equals between Pathmark and A&P outlined above, including with respect to valuation, form of consideration, board representation and governance and other stockholder rights in respect of the combined company. Although the parties made progress on some issues, valuation and other substantial issues were not resolved, including the relative valuations of the two companies as well as transfer restrictions, corporate governance and social issues relating to the operation of the consolidated company. Accordingly, the parties ceased further discussions.

Shortly thereafter and for the next several weeks, Yucaipa Companies continued to analyze the possibility of Pathmark's acquisition of Company B, as had been previously discussed with the Pathmark board on March 13, 2006. After a detailed review of valuation and multiple meetings with representatives of the third party that had expressed interest in partnering with Pathmark in the acquisition, Yucaipa Companies concluded that the potential third party partner and Pathmark would not be able to offer a sufficient premium price to make the proposal attractive to the owner of Company B.

In the summer of 2006, with rumors of a potential proposal by A&P to acquire Pathmark circulating publicly, Mr. Standley and Mr. Duckworth continued to review the possibility of a business combination between Pathmark and A&P, based on the strategic fit between the companies and the synergies that could be obtained. Since the earlier discussions involving a merger of equals between the two companies had not been successful and A&P did not make a proposal to acquire Pathmark, Mr. Standley and Mr. Duckworth began to explore the possibility of Pathmark acquiring A&P in a cash merger as part of their evaluation of available strategic alternatives for Pathmark. As part of this evaluation they developed a preliminary analysis of such a transaction for presentation to the Pathmark board at its next meeting.

Also during this period, Yucaipa Companies again had discussions with the owner of Company A regarding Pathmark acquiring a significant number of stores in contiguous markets as had previously been discussed at the October 25, 2005 Pathmark board meeting. Although these discussions proceeded further than they had in 2005, Yucaipa Companies ultimately determined that the owner of Company A planned to retain the stores in which Pathmark had expressed an interest and that further negotiations were unlikely to meet with any success.

On September 26, 2006, the Pathmark board of directors held a meeting at which Mr. Standley informed the board that he had been discussing with Yucaipa Companies the possibility of Pathmark





making a proposal to acquire A&P. Mr. Standley indicated that the companies would be a good strategic fit, and that there were substantial synergies to be obtained through elimination of duplicative administrative costs and efficiencies in the areas of distribution, transportation and marketing. Also, the combined companies would have increased economies of scale in purchasing. The board discussed some of the key issues in such a transaction. A&P had sold its Canadian operations and distributed a substantial portion of the sale consideration in the form of a special cash dividend to stockholders. A&P had significant liquid assets on its balance sheet, including a significant minority investment in Metro, the purchaser of A&P's Canadian operations. The board also discussed Pathmark's current market position, growth prospects, and liquidity needs within the next several years. The board acknowledged that, since Tengelmann held a majority of the stock of A&P, any transaction would require the support of Tengelmann. The board then authorized management and Yucaipa Companies to formulate a proposal for Pathmark to acquire A&P.

Following additional review and analysis by management and Yucaipa Companies, the Pathmark board held a special telephonic meeting on October 6, 2006. At this meeting, Mr. Standley and Frank Vitrano, the President and Chief Financial Officer of Pathmark, presented a proposed offer letter to acquire A&P and a highly confidential letter from Citigroup for the debt financing for the acquisition, and Mr. Duckworth presented a draft \$200 million equity commitment letter from Yucaipa Companies. Under this structure, the Series A and B Warrants would have remained in place. After discussion, the board authorized Mr. Standley to execute the proposed offer letter to A&P and instructed Mr. Burkle to deliver the proposal letter to A&P and to commence preliminary discussions regarding the proposed transaction.

Also at this meeting, the board noted the fact that Yucaipa Companies' existing Management Services Agreement with Pathmark provides that, if the board decides in its discretion to engage Yucaipa Companies for merger consultation on a matter such as a business combination with A&P, the fee for such services would be 1% of the transaction value. The board discussed Yucaipa Companies' extensive experience in supermarket industry acquisitions, Yucaipa Companies' familiarity with A&P's business based on its industry experience, and its deep knowledge of Pathmark's operations and finances. The board members in attendance, with Mr. Duckworth abstaining, unanimously authorized the retention of Yucaipa Companies as a consultant on Pathmark's acquisition of A&P, with the terms of the engagement to be subject to execution of a definitive engagement letter with Yucaipa Companies. Mr. Tochner was not in attendance at the meeting.

On October 9, 2006, Mr. Burkle and Mr. Duckworth had a meeting with Mr. Haub. They presented Mr. Haub with Pathmark's confidential, nonbinding letter setting forth an offer to acquire all outstanding shares of A&P for a purchase price of \$30.00 per share in cash. The letter included an equity commitment from Yucaipa Companies of up to \$200 million, and a highly confidential letter from Citigroup to raise the debt to finance the balance of the purchase price. Pathmark stated in the letter that it expected that the definitive acquisition agreement would not contain any financing condition. The letter indicated a two-week period for completion of confirmatory due diligence and stated that the proposal would expire on October 16, 2006.

At this meeting, Mr. Haub, speaking on behalf of Tengelmann, the majority stockholder of A&P, stated that Tengelmann would have no interest in the proposal. Mr. Haub also stated that he would inform the A&P board of the proposal at a meeting later that week.

Later on October 9, 2006, the Pathmark board held a telephonic meeting at which Messrs. Duckworth and Burkle updated the board on the meeting with Mr. Haub. During this meeting, the Pathmark board discussed its continued interest in acquiring A&P and expressed its disappointment with Mr. Haub's response.

On October 11, 2006, the A&P board of directors held a regularly scheduled meeting and, among other things, met with Mr. Claus, Mr. Guldin, Brenda Galgano, Allan Richards and Cahill Gordon & Reindel LLP ( *Cahill* ), its legal advisor, and JPMorgan, its financial advisor, to discuss and consider the terms of Pathmark's October 9 proposal as well as alternatives to such proposal. Mr. Haub reported that, speaking on behalf of Tengelmann, he had advised Pathmark's representatives that Tengelmann would have no interest in the proposal. The A&P board discussed



and considered Pathmark's October 9 proposal and unanimously determined that it had no interest in pursuing the proposal at this time and authorized Mr. Haub to communicate that conclusion to Pathmark.

On October 16, 2006, Mr. Haub sent a letter to Mr. Burkle, stating that the A&P board had reviewed the Pathmark proposal and unanimously concluded that A&P had no interest in pursuing the proposal at that time. Mr. Haub also reiterated in the letter that Tengelmann had no interest in the proposal.

On October 20, 2006, Mr. Burkle sent a letter to Mr. Haub, stating that Pathmark was prepared to improve its offer. Mr. Burkle requested a meeting with Mr. Haub to discuss an increase in the offer. Mr. Haub did not respond to this letter, and there were no further substantive discussions between Pathmark and A&P regarding Pathmark acquiring A&P.

From time to time after the discussions with Yucaipa Companies regarding a merger of equals which had ended in March 2006, A&P and Tengelmann also considered alternative structures for a combination of A&P and Pathmark. From July 2006 to November 2006, Tengelmann and A&P, together with JPMorgan and Cravath, Swaine & Moore LLP, counsel to Tengelmann ( *Cravath* ), explored a variety of ways to acquire Pathmark for consideration consisting entirely of cash and potential sources of financing for such a transaction. Beginning in August 2006, Tengelmann and JPMorgan, after consultation with the A&P board, approached a number of potential private equity investors on behalf of A&P to solicit interest in making a significant equity investment in A&P as part of the financing of the acquisition of Pathmark. Two separate investor groups indicated significant interest in making an investment in connection with an all-cash acquisition of Pathmark and, during October and November, Tengelmann, JPMorgan, Cravath and these investors continued discussions regarding valuation and other investment terms. In addition, the parties also discussed matters relating to board representation and governance and other stockholder rights as well as the possibility of Tengelmann selling some of its shares in A&P to the investors in order to equalize the levels of ownership of Tengelmann and the private equity investors. Beginning in November 2006, Tengelmann continued these discussions on an exclusive basis with one group that appeared to be prepared to offer terms which were more attractive to A&P and Tengelmann, but numerous significant issues could not be resolved, including with respect to the governance and management of the combined company, closing conditions to the investment, transfer restrictions and fees and expenses, and no final agreement was reached.

On November 15, 2006, A&P held a regularly scheduled telephonic executive committee meeting. Mr. Haub updated the other members of the executive committee of the A&P board on the status of an offer by A&P to acquire Pathmark for cash, including the status of discussions with potential debt financing sources. Mr. Haub also reviewed with the executive committee the possibility of a transaction involving a private equity investment. The consensus of the executive committee was to continue to pursue the Pathmark transaction and the financing alternatives and the executive committee authorized management to submit a proposal to Pathmark for an all-cash acquisition at \$12.00 per share.

On November 16, 2006, Mr. Haub sent to Mr. Jessick a confidential, nonbinding letter which set forth a proposal to acquire all outstanding shares of Pathmark common stock for \$12.00 per share in cash. The proposal stated that it was premised on Pathmark having at closing 56.1 million fully diluted shares of common stock (calculated based on the treasury stock method assuming all in-the-money options and warrants would be exercised), but did not specify how outstanding options and warrants would be treated in the proposed merger. The proposal stated that the definitive acquisition agreement would not be contingent on financing, and debt financing commitment letters were attached to the letter.

On November 21, 2006, the Pathmark board of directors held a special telephonic meeting. At this meeting, Mr. Standley reviewed with the board the November 16 letter that had been received from A&P. The board discussed the letter, as well as the possibility of exploring potential alternative transactions, including the acquisition of assets from either Company A or Company B. Mr. Burkle, on behalf of Yucaipa Companies, attended the board meeting. Mr. Burkle updated the Pathmark board on the status of discussions to acquire Company B and the obstacles to such



acquisition that had been encountered during Yucaipa Companies' preliminary discussions with the potential third party partner that had previously been discussed with the Pathmark board on March 13, 2006. Mr. Burkle also expressed the Yucaipa Investors' disappointment in the price offered by A&P. The board concluded that Mr. Burkle should discuss the proposal letter with A&P, indicating Pathmark's disappointment with the proposed terms, and attempt to obtain an alternative proposal from A&P that would offer greater value to Pathmark and its stockholders.

Also on November 21, 2006, Mr. Standley and Mr. Burkle delivered a letter to Mr. Haub indicating that Pathmark was not prepared at that time to pursue A&P's proposal on the terms proposed in the November 16 letter.

On November 28, 2006, the Pathmark board of directors held a regularly scheduled meeting. At this meeting, the board again discussed the proposal from A&P. The board discussed the fact that A&P apparently had no interest in being acquired by Pathmark and Tengelmann would not support it, and in any event, such a transaction would put a heavy debt burden on Pathmark. Mr. Duckworth stated that Yucaipa Companies believed that at this time A&P was no longer interested in a merger of equals transaction, as had been discussed in March 2006. In the discussion of A&P's financing for the proposed transaction, it was noted that \$180 million of the proceeds to finance the acquisition of Pathmark were to come from A&P's sale of a portion of its minority interest in Metro, a Canadian public company. The board also discussed the status of Pathmark's business, new strategic initiatives including the possibility of a new format for certain of its stores, and the significant capital that would be required to be raised in order to remodel existing stores and to implement new merchandising concepts. The board decided to delay implementation of the new format, based on the possible further discussions with A&P that were expected to take place after Mr. Burkle contacted Mr. Haub.

On November 28, 2006 and November 30, 2006, the four members of the A&P board who were considered to be independent of Tengelmann, Bobbie Gaunt, Dan Kourkoumelis, Edward Lewis and Maureen Tart-Bezer, who we also refer to as the independent members of the A&P board, held special telephonic meetings, with representatives of Cahill in attendance, to review the status of the Pathmark transaction and to discuss possible terms of the potential private equity investment. Representatives of Cahill reviewed the status of the potential private equity investment with the directors. The consensus of the independent directors was that they supported the business strategy of raising equity for an all-cash acquisition of Pathmark, but noted the reduced role that independent directors would have following the potential equity investment since they believed they would no longer constitute a majority of the board following the transaction. The directors determined to continue discussions at a later date depending upon the outcome of discussions with Pathmark.

On December 5, 2006, Messrs. Burkle and Haub met in New York City to discuss a possible transaction. After discussion, Mr. Burkle indicated that an all cash acquisition at \$12 per share of Pathmark common stock would not be acceptable to the Pathmark board and the Yucaipa Investors, but a transaction that consisted of \$8.00 in cash and \$5.00 in value of A&P common stock might be acceptable to the Yucaipa Investors because it represented an increase in value and included a substantial equity component in the type of consideration to be received by the Pathmark stockholders. In addition, Mr. Burkle noted the Yucaipa Investors would require that the option value of the Series A and B Warrants be preserved in any transaction, as would have occurred under both the March 2006 merger of equals discussions with A&P, as well as the September 2006 proposal by Pathmark to acquire A&P for cash. Mr. Haub noted that, in the proposed cash and stock merger structure, the Yucaipa Investors would have the potential to become significant stockholders of A&P. They discussed certain of the issues that Tengelmann and A&P would have with that structure and Mr. Haub outlined in principle some of the restrictions that would be required by A&P to limit the influence of the Yucaipa Investors on A&P operations and activities following the transaction.

On December 6, 2006 and December 7, 2006, the independent members of the A&P board held special meetings. Representatives of Cahill updated the independent directors on the status of

discussions with Tengelmans representatives and the terms of the proposed private equity investment.

From December 7 to December 15, 2006, Mr. Duckworth, Mr. Burkle, Mr. Haub and Mr. Guldin had several discussions via teleconference regarding various aspects of the potential transaction, including the disparities between the purchase prices proposed by A&P and Pathmark, the form of consideration, the treatment of the Yucaipa Investors Series A and B Warrants, and the post-closing restrictions on the rights of the Yucaipa Investors.

On December 14, 2006, Mr. Haub sent a draft term sheet to Mr. Burkle. The term sheet reflected a proposed purchase price per Pathmark share of \$9.50 in cash and \$2.50 in A&P common stock (the A&P stock to be valued based on the average closing price for the 5 trading days prior to execution of a definitive agreement). In addition, the term sheet included extensive restrictions related to the Yucaipa Investors' ownership of A&P common stock and warrants after consummation of the proposed transaction, which restrictions would not be applicable to the other holders of Pathmark common stock and warrants, and required that the Management Services Agreement with Yucaipa Companies be terminated upon the consummation of the proposed transaction. The term sheet provided that the Yucaipa Investors' Series A and B Warrants would be rolled over and exchanged for warrants to acquire A&P common stock. The term sheet provided that the rollover warrants could only be exercised on a cashless basis, which would have the effect of limiting the Yucaipa Investors' ability to increase its share ownership in A&P, and, upon exercise, the rollover warrants could be settled, in the sole discretion of A&P, in cash, stock or a combination thereof. The term sheet also proposed prohibiting the Yucaipa Investors from exercising during any twelve month period more than 50% of the rollover warrants issued for the Series B Warrants, except during the one year period prior to expiration of the Series B Warrants or in connection with or following a change of control of A&P. In addition, the term sheet proposed various standstill restrictions on the Yucaipa Investors' ability to acquire additional shares of A&P stock, commence a proxy solicitation, seek A&P board representation, make any public acquisition proposal, or seek to control or influence management of A&P. The standstill restrictions, as proposed, could have continued for as long as 8 years from the closing. The transferability of the A&P stock and rollover warrants proposed to be issued to the Yucaipa Investors in the transaction would also be subject to restrictions. The transferability restrictions as proposed could have continued for as long as 10 years from the closing.

Also on that day, the independent members of the A&P board held a special telephonic meeting to review the status of the Pathmark transaction and to discuss the term sheet relating to a revised proposal to acquire Pathmark. The directors discussed, among other things, Mr. Haub's indication, based upon conversations with Mr. Burkle, that, at these valuation levels, the Yucaipa Investors would not accept an all-cash transaction. The directors noted that having a greater portion of merger consideration consisting of A&P stock rather than cash would obviate the need for any third party equity investors and also address the Yucaipa Investors' desire not to receive consideration consisting entirely of cash. Representatives of Cahill then reviewed with the directors the revised proposal for A&P to acquire Pathmark for a combination of cash and common stock.

On December 15, 2006, Mr. Haub and Mr. Burkle met in New York, at which time they discussed a number of principal terms of the proposed transaction, including the general mix of cash and stock consideration, the roll-over of the Pathmark warrants held by the Yucaipa Investors, and corporate governance matters related to the role of the Yucaipa Investors as an investor in the combined company.

On December 16, 2006, Cravath indicated to Cahill that because Tengelmans ownership of A&P stock following the proposed transaction would fall below 50%, Tengelmans would require A&P to enter into a stockholder agreement providing Tengelmans with board representation, governance and other stockholder rights appropriate for a significant stockholder. In that regard, Cravath delivered to Cahill a draft of a proposed stockholder agreement. Cravath also indicated that Tengelmans believed an advisory fee was appropriate for its role and efforts.

On December 18, 2006, Cahill delivered a proposed form of confidentiality agreement to Latham & Watkins. Also on that day, Cravath delivered to Latham & Watkins a revised draft term



sheet relating to the proposed acquisition of Pathmark, which indicated a proposed purchase price per Pathmark share of \$9.00 in cash and \$3.50 in A&P common stock. The A&P stock was to be valued for this purpose based on the average closing price of A&P's common stock for the twenty trading days preceding execution of a definitive agreement. In addition to restating the terms and restrictions relating to the warrants and common stock to be issued to the Yucaipa Investors, as set forth in the December 13 term sheet, the revised term sheet included a provision which allowed the Yucaipa Investors to exercise all, but not less than all, of the rollover warrants issued for the Series B Warrants at any time, but also permitted A&P to delay payment of 50% of the net value upon exercise of the Series B rollover warrants to be issued to the Yucaipa Investors, for a period of up to one year.

On December 19, 2006, the Pathmark board held a special meeting. Mr. Duckworth updated the board on discussions to date with A&P. The board authorized management to execute a confidentiality agreement with A&P and to continue further discussions. The board also discussed the fact that the board had previously decided, at the October 6, 2006 board meeting, to engage Yucaipa Companies as a consultant on the proposed acquisition of A&P by Pathmark. The board had at that meeting approved the engagement of Yucaipa Companies, subject to the execution of a definitive engagement letter, to act as a consultant to Pathmark in connection with its proposed acquisition of A&P; however, the parties had not proceeded with the negotiation of the engagement letter after it became clear that Pathmark would not be engaging in the acquisition of A&P. Now that the parties were moving forward with the negotiation of a transaction with A&P and because these negotiations had progressed far enough along to warrant Pathmark's entry into a contractual undertaking, the members of the board in attendance at the meeting, with Mr. Duckworth abstaining, unanimously approved the engagement of Yucaipa Companies as a consultant to Pathmark in connection with its potential acquisition by A&P, with the terms of such engagement subject to approval by the board of an engagement letter that would later be presented to the board for review. Mr. Tochner was not in attendance at the meeting.

Also that day, Yucaipa Companies transmitted to A&P certain comments on A&P's draft term sheet from December 18. Yucaipa Companies accepted many restrictions and limitations on the A&P common stock and warrants that would be issued to the Yucaipa Investors in the proposed transaction and their rights to exercise such warrants. Over the succeeding days, the parties held several conference calls to discuss open issues on the term sheet, including, among other things, the methodology of calculating the price per share to be used in determining the value of the A&P common stock to be received both in the merger and upon the exercise of the rollover warrants, the exercise features of the rollover warrants and the standstill, transfer restrictions and registration provisions that would apply to the Yucaipa Investors, without reaching resolution on these items. Ultimately, the parties decided to proceed directly to definitive documentation because they believed that they had reached substantial agreement on the framework of the transaction and that a protracted negotiation of the term sheet followed by the negotiation of definitive documentation would extend the total time to reach agreement. They discussed executing definitive agreements within thirty days.

On December 19, 2006, the A&P board held a special meeting at which Mr. Haub updated the board on the principal terms discussed between Mr. Haub and Mr. Burkle on December 15, 2006 and the implications of structuring the transaction in accordance with these terms rather than involving a new equity investor.

On December 20, 2006, A&P and Pathmark entered into a mutual confidentiality agreement covering the discussions between the companies and any information that might be exchanged by the parties.

On December 21, 2006, the independent members of the A&P board held a special telephonic meeting with representatives of Cahill and McGuireWoods LLP ( *McGuireWoods* ), its special Maryland counsel, also in attendance. Representatives of McGuireWoods discussed standards of conduct required of directors of a Maryland corporation and procedures applicable to the transaction generally, and in particular to the proposed stockholder agreement with Tengelmann and a potential



advisory fee, under Maryland law. The independent directors then discussed these matters, and determined to retain an independent financial advisory firm.

Later on December 21, 2006, the executive committee of the A&P board held a regularly scheduled meeting at which they reviewed and discussed the proposed terms and determined to continue to pursue the transaction with Pathmark.

In early January 2007, each of A&P and Pathmark commenced business and legal due diligence on the other.

On January 8, 2007, the independent members of the A&P board met. Representatives of Cahill and McGuireWoods updated the independent directors on the status of discussions with Pathmark's representatives regarding the proposed transaction and the retention of Peter J. Solomon Co., L.P. ( *PJSC* ) as financial advisor to the independent members of the A&P board with respect to the proposed stockholder agreement with Tengelmann and Tengelmann's request for an advisory fee. The independent members of the A&P board discussed the qualifications of PJSC and determined to engage them as financial advisor.

On January 11, 2007, Cahill distributed the first draft of a merger agreement for the proposed transaction. The draft merger agreement contemplated a cash and stock merger, based on a fixed exchange ratio equal to \$3.50 divided by the average closing price of A&P common stock for the twenty trading days immediately prior to execution of the merger agreement. Among other things, the draft merger agreement contained a nonsolicitation covenant which prohibited Pathmark from having discussions with any other party unless that party had submitted a bona fide proposal that the Pathmark board had determined to be superior to the terms of the A&P transaction. The merger agreement also contained a covenant that Pathmark would submit the merger to a vote of its stockholders even if a superior proposal had been received, and Pathmark would not be able to terminate the merger agreement in order to accept a superior proposal. Although the draft merger agreement provided that the Yucaipa Investors would enter into an agreement with A&P to vote their Pathmark shares in favor of the transaction, no terms of the voting agreement were provided. In the event of termination of the merger agreement under various circumstances (including where the Pathmark stockholders had voted against the merger agreement at a time when no competing transaction had been proposed), the draft merger agreement contained a termination fee of \$30 million. The draft merger agreement also included a provision that A&P would not be required to divest stores for antitrust reasons, above an unspecified store level cash flow threshold. The draft merger agreement also contemplated that the Yucaipa Investors' Series A and B Warrants would be assumed by A&P in the merger and converted into warrants to acquire A&P common stock in accordance with the term sheet.

On January 15, 2007, Cravath sent Cahill an initial draft stockholder agreement which reflected the term sheet provided in December and set forth Tengelmann's proposed board representation and governance and other stockholder rights which would apply after A&P's purchase of Pathmark.

On January 18, 2007, Latham & Watkins distributed comments to A&P's draft merger agreement. Among many other matters, in these comments, Pathmark objected to the failure to include an exception to the nonsolicitation covenant which would permit Pathmark to consider proposals that might reasonably be expected to lead to superior proposals. Pathmark also specified in the draft that it would be able to terminate the merger agreement in order to accept a superior proposal. Pathmark also objected to the provision requiring payment of a termination fee in the event that Pathmark stockholders failed to approve the merger at a time when no competing transaction had been proposed. In addition, Pathmark rejected the \$30 million termination fee as excessive, and proposed that if antitrust clearance required divestiture of stores, A&P would be required to make such divestitures without regard to amount.

Also on that day, the independent members of the A&P board held a special telephonic meeting with representatives of McGuireWoods, PJSC and Cahill to discuss the proposed terms of the Pathmark acquisition.

Also on January 18, 2007, the A&P board held a regularly scheduled meeting. Also in attendance were Mr. Claus, Mr. Guldin, Ms. Galgano and Mr. Richards, as well as representatives of



JPMorgan and Cahill. Mr. Haub, with the assistance of the executives in attendance, reviewed the status of the Pathmark acquisition, including updates on due diligence, synergies, financing and integration. The JPMorgan representatives then reviewed the status of negotiations and developments.

On January 19, 2007, Cahill contacted Latham & Watkins and stated that, in light of the many comments made by Pathmark on the draft merger agreement that were unacceptable to A&P, A&P had directed Cahill to cease further work on the draft until progress was made on the substantive issues.

On January 23, 2007, the Pathmark board of directors held a regularly scheduled meeting at which all directors were present in person or by telephone. At this meeting, the board discussed the status of negotiations with A&P, the draft merger agreement that had been presented by A&P, and the antitrust approval process that would be required in connection with the transaction, including the likely timing and uncertainties of obtaining approval.

The Pathmark board noted that the draft merger agreement proposed by A&P included a condition that the Yucaipa Companies' existing Management Services Agreement with Pathmark be terminated at or prior to closing. The board also noted that this termination would require a termination payment to Yucaipa Companies under that agreement in the amount of \$10 million. In addition, under the Pathmark Stockholders Agreement, a change of control transaction such as that proposed by A&P would require the affirmative vote of at least two Independent Directors (as defined below), as well as the affirmative consent of the Yucaipa Investors. These approvals would be in addition to any other approvals that would be required under applicable law or Pathmark's charter or bylaws.

Representatives of Citigroup joined the meeting and presented Citigroup's qualifications to act as financial advisor to the Pathmark board in connection with the proposed transaction with A&P.

The Pathmark board discussed the amendments that would be required to the existing warrant agreement with the Yucaipa Investors in order to provide for the rollover of the Series A and B Warrants into A&P warrants, as contemplated by the December 2006 term sheet. Under the existing warrant agreement, in the cash and stock merger proposed by A&P, the Series A and B Warrants would have been converted into the right to acquire, upon exercise, the merger consideration of \$9.00 in cash and a fixed number of shares of A&P stock. Under the warrant agreement amendment, in essence the right to acquire \$9.00 in cash would be converted into a right to acquire a fixed number of shares of A&P stock.

After further discussion and consideration of both the implications of the warrant agreement amendment and the fact that negotiations between Pathmark and A&P had advanced to the point where it seemed probable that the parties would engage in a strategic transaction, the Pathmark board determined to form a committee of independent, disinterested directors to review the terms of any amendments to the Yucaipa Investors' Series A and B Warrants to effect the warrant rollover. Sarah Nash, Daniel Fitzgerald, Larry Katzen, Bruce Hartman and John Zillmer, each directors of Pathmark who were considered to be independent of the Yucaipa Investors for the purpose of reviewing the proposed warrant agreement amendment (the *Independent Directors*), met separately with counsel from Shearman & Sterling LLP ( *Shearman & Sterling* ). The board then authorized the creation of a special committee, composed of the Independent Directors, which was empowered to review, in connection with any proposed business combination, any proposal that would provide for the treatment of the Yucaipa Investors' Series A and B Warrants in a manner that would be different from that provided under the existing warrant agreement. The special committee was given the power to evaluate any such warrant proposal, to negotiate directly with Yucaipa Companies, the Yucaipa Investors and their advisors, and to make a recommendation to the full Pathmark board as to what action, if any, Pathmark should take with respect to any such warrant proposal, as well as the power and resources to retain any advisors to the special committee that the special committee deemed necessary or desirable to conduct its review. Because the Yucaipa Investors were the only Pathmark stockholders that owned any of the Series A and Series B Warrants and the treatment of these warrants could potentially present a conflict of interest for the Yucaipa Investors as they evaluated the merits of an acquisition transaction, the board resolved that it would not recommend



any acquisition transaction that included a warrant proposal without the prior favorable recommendation of the special committee. In addition, because approval of the acquisition transaction would require the affirmative vote of at least two Independent Directors pursuant to the terms of the Pathmark Stockholders Agreement, the special committee was empowered to review any acquisition proposal, for the purpose of assisting the Independent Directors in their decisions under the existing stockholders agreement between Pathmark and the Yucaipa Investors as to whether they would vote in favor of an acquisition transaction.

The directors also were presented with a draft of an engagement letter between Pathmark and Yucaipa Advisors (an affiliate of Yucaipa Companies) that had been prepared in response to instructions given at the December 19, 2006 Pathmark board meeting, pursuant to which Yucaipa Advisors would be engaged to act as a consultant to Pathmark in connection with the negotiation of the A&P transaction. The board deferred a decision on the draft letter pending further review by the board and counsel. The directors then voted to retain Citigroup as financial advisor to Pathmark in connection with the proposed A&P transaction. In addition, the board requested that management, Yucaipa Advisors and Citigroup provide weekly updates to the board regarding the status of the transaction and negotiations.

Later that same day, a meeting of the Pathmark special committee was held to preliminarily discuss process and the issues the Pathmark special committee had been charged with by the board to consider. At the meeting, the Pathmark special committee also appointed Ms. Nash as its Chairperson and engaged Shearman & Sterling as its independent legal counsel.

On January 25, 2007, Latham & Watkins and Cahill held a conference call and discussed a number of the most significant outstanding items on the draft merger agreement.

On January 28, 2007, a special telephonic meeting of the Pathmark board of directors was held, at which the board considered the proposed engagement letter with Yucaipa Advisors to act as a consultant to Pathmark in connection with the proposed A&P transaction. After the full Pathmark board discussed the amount of the fees proposed to be paid to Yucaipa Advisors, the meeting was recessed, and a separate meeting of the Independent Directors took place. Thereafter, the meeting of the full Pathmark board resumed, and the Independent Directors indicated that they had determined to support the engagement of Yucaipa Advisors as a consultant to Pathmark on the terms specified in the existing Management Services Agreement. The board of directors took note of the Independent Director's determination and discussed the terms set forth in the engagement letter. The board members in attendance then unanimously approved the Yucaipa Advisors engagement letter. Neither Mr. Duckworth nor Mr. Tochner were in attendance for this portion of the meeting.

Also on that day, after considering a number of nationally recognized firms and their respective qualifications, the Pathmark special committee engaged Perella Weinberg Partners LP ( *PWP* ) as its independent financial advisor to assist the committee in its assessment of the value of the Series A and B Warrants and the impact of the proposed amendments to the warrant agreements, and to advise committee members in their role as Independent Directors under the Pathmark Stockholders Agreement. PWP was not engaged to provide any advice or opinion regarding the fairness of the proposed transaction with A&P. PWP received a fixed fee, a portion of which was paid concurrently with its engagement, and the balance when PWP first met with the Pathmark special committee.

On January 30, 2007, the parties held a meeting in New York City. In attendance were Mr. Duckworth, Mr. Standley, Mr. Vitrano, Mr. Guldin, Ms. Galgano and Allan Richards as well as Pathmark's and A&P's respective counsel and financial advisors. At this meeting, the parties discussed at a general level the guiding principles for further negotiations, including the parties' sharing of any antitrust risk arising out of the proposed transaction, the relative level of reciprocity in the representations, covenants and conditions of Pathmark and A&P, certainty and speed of closing, and the treatment of outstanding employee stock options.

On January 30, 2007, the independent members of the A&P board held a special telephonic meeting. Also participating by telephone at the meeting were representatives of McGuireWoods and PJSC. The independent

directors discussed the status of the Pathmark transaction, including the proposed timeline. Representatives of PJSC then presented their analysis with respect to the Tengelmann advisory fee request based upon information they had considered in connection with

their analysis. Representatives of McGuireWoods then reviewed the December 2006 draft Tengelmann stockholder agreement term sheet with the independent directors. The independent directors then directed McGuireWoods to prepare a revised Tengelmann stockholder agreement term sheet reflecting the comments of the independent directors. The independent directors and McGuireWoods decided not to provide comments on the actual draft Tengelmann stockholder agreement distributed by Cravath on January 15, 2007 until progress had been made on the principal provisions reflected in the term sheet.

A telephonic meeting of the Pathmark special committee was held on February 1, 2007. At the meeting, a representative from PWP presented to the Pathmark special committee various financial issues relating to the proposed warrant agreement amendment to be entered into among the Yucaipa Investors and A&P in connection with the proposed transaction. The members of the Pathmark special committee discussed among themselves, as well as with representatives of PWP, various financial and other considerations relating to the proposed transaction, including that: (i) the current warrant agreement between the Yucaipa Investors and Pathmark already sets forth the manner in which the Series A and B Warrants were to be treated in a business combination transaction such as the proposed A&P transaction; (ii) additional value would accrue to the Yucaipa Investors as a result of the proposed warrant agreement amendment but not to the other stockholders of Pathmark; and (iii) the Yucaipa Investors would be able to participate to a greater degree than the other stockholders of Pathmark in any future appreciation in the A&P share price. The members of the Pathmark special committee also discussed certain additional considerations regarding the proposed transaction, including (i) the proposed transaction value represented a significant premium to the market price of Pathmark's common stock; (ii) there currently were no other transaction proposals offering the same or greater consideration; (iii) without the Yucaipa Investors' support for the A&P transaction, Pathmark risked losing the proposed transaction and the value it could provide to Pathmark's stockholders; and (iv) it was unlikely that the Yucaipa Investors or A&P would be prepared to make additional value available to Pathmark's other stockholders.

On February 2, 2007, the Pathmark board held an update call in which Mr. Standley and Mr. Duckworth and Citigroup advised the directors of the status of the proposed transaction.

On February 5, 2007, the parties held a meeting in New York City. In attendance were representatives from Pathmark and A&P and their respective counsel, as well as representatives from Tengelmann, Yucaipa Companies and A&P's financial advisor. The principal issue under discussion at this meeting related to a review of the risks raised by the proposed transaction from an antitrust standpoint, including both the risk of nonconsummation, and the risk that store divestitures would be required in order to obtain antitrust approval. The parties discussed in detail a number of alternatives to allocate these risks. A&P proposed that, in the event that divestitures were required over a certain store level cash flow threshold, a downward adjustment to the merger consideration would be made. Pathmark objected to this concept as overly complex and risky for the Pathmark stockholders. After discussion, the parties agreed in principle to the following terms. If, at a date that is six months after execution of the merger agreement, A&P reasonably determined that it was reasonably likely that it would be required to divest stores that have store level cash flow in excess of \$33 million, then A&P would have the right to terminate the merger agreement and reimburse Pathmark for its out-of-pocket legal expenses. If, at a date that is nine months after execution of the merger agreement, A&P reasonably determined that it was reasonably likely that it would be required to divest stores that have store level cash flow in excess of \$33 million, then A&P would have the right to terminate the merger agreement and pay Pathmark a termination fee of \$25 million. If, thereafter, the merger were to fail to close for reasons related to failure to obtain antitrust approval, A&P would pay Pathmark a termination fee of \$50 million.

Shortly thereafter, Messrs. Burkle and Haub had a telephone call regarding a disagreement over how store level cash flow would be calculated. After further discussion, they agreed that specific store level cash flow amounts for each A&P and Pathmark store would be set forth on a schedule to the merger agreement, and agreed to increase the divestiture threshold from \$33 million to \$36 million based upon the agreed calculation methodology.

Also that day, a telephonic meeting of the Pathmark special committee was held. At the meeting, a representative from PWP presented to the Pathmark special committee additional material that PWP had been asked by the Pathmark special committee to prepare on warrant valuation sensitivities relating to the proposed warrant agreement amendment.

Additionally on February 5, 2007, the independent members of the A&P board held a special telephonic meeting. Also participating by telephone at the meeting were representatives of McGuireWoods, Cahill and PJSC. The independent directors discussed the status of the Pathmark transaction. Representatives of PJSC reported on corporate governance rights typically granted to controlling or significant stockholders in the context of private equity and other investments. The independent directors then reviewed the December 2006 Tengelmann term sheet as proposed by Tengelmann and as revised by McGuireWoods. The independent directors directed representatives of McGuireWoods to propose certain revisions to the term sheet to Cravath.

On February 6, 2007, McGuireWoods sent to Cravath a revised version of the Tengelmann stockholder agreement term sheet which reflected the comments of A&P's independent directors. The revised version required that Tengelmann would vote all its shares in the same proportion as A&P's other stockholders in the election of directors that were not nominated by Tengelmann, which voting mechanism was referred to as mirror voting. In addition, among other things, the comments sought to modify and reduce the scope of Tengelmann's approval rights and eliminate Tengelmann's right to demand registration rights and addressed the termination of Tengelmann's various rights under the proposed Tengelmann stockholder agreement and the method of calculating Tengelmann's ownership percentage for that purpose.

On February 7, 2007, the Pathmark board held an update call in which Mr. Standley and Mr. Duckworth and Citigroup advised the directors of the status of the proposed transaction.

On February 9, 2007, Mr. Duckworth, on behalf of the Yucaipa Investors, met with the Pathmark special committee to review the warrant rollover proposal. He made a presentation that began with the history of the negotiation process and the treatment of the Series A and B Warrants under various transaction structures that had been considered. The presentation also illustrated the Yucaipa Investors' view that the A&P common stock that the Yucaipa Investors would receive in the proposed transaction would be worth significantly less than the A&P common stock received by other common stockholders of Pathmark, due to the transfer and standstill restrictions that A&P imposed upon the Yucaipa Investors that would result in diminished liquidity and limitations on the ability of the Yucaipa Investors to exercise the rights available to other holders of A&P common stock. In addition, he described the terms of the Series A and B Warrants, both as presently existing and as proposed to be amended, as well as the Yucaipa Investors' views as to the benefits to the Yucaipa Investors from the rollover of the warrants and detriments to the Yucaipa Investors resulting from the terms and restrictions that A&P would put on the rollover warrants, which terms and restrictions did not currently apply to the Series A and B Warrants.

During the period from February 9 through February 12, 2007, the parties held meetings in New York City. In attendance were Mr. Standley, Mr. Duckworth, Mr. Vitano, Mr. Guldin, Ms. Galgano and Mr. Richards, as well as Pathmark's and A&P's respective counsel and financial advisors. At these meetings the parties discussed many significant open issues on the draft merger agreement, including many of the items in dispute under A&P's original draft of the merger agreement from January 11. In addition, during this period Cahill transmitted a draft voting agreement to the Yucaipa Investors, which required the Yucaipa Investors to vote all shares owned or acquired by the Yucaipa Investors in favor of the proposed transaction with A&P and against all alternative transactions. The Yucaipa Investors owned approximately 40% of the outstanding Pathmark common stock at that time. In response, Pathmark proposed that the Yucaipa Investors would only be required to vote shares representing 33% of the outstanding stock in favor of the transaction, and that the remainder of their shares would be voted for or against the transaction in proportion to the votes cast by other stockholders. Pathmark also objected to A&P's proposal that a termination fee be payable in the event that the Pathmark stockholders failed to approve the merger at a time when no competing transaction had been proposed. A&P did agree to a nonsolicitation covenant which would allow Pathmark to have



discussions with another potential purchaser if that person were to

submit a bona fide proposal that the board determined to be reasonably likely to lead to a proposal that was superior to the terms of the A&P transaction.

On February 11, 2007, Cahill distributed a draft stockholders agreement relating to the Yucaipa Investors' ownership of A&P common stock after completion of the merger. The draft provided for a prohibition on purchases of shares of A&P common stock over 9.9%, and other standstill provisions that would restrict the Yucaipa Investors from taking any action to propose any extraordinary corporate transaction, participate in a proxy contest, form a group with other A&P stockholders or take any action (whether through communication with management or public statements) to seek to influence A&P. The draft also included restrictions on the transferability of the A&P common stock owned by the Yucaipa Investors, as well as a noncompetition agreement with respect to A&P.

On February 8 and 12, 2007, McGuireWoods and Cravath had telephone conferences to discuss and negotiate the February 6 comments to the Tengelmann stockholder agreement term sheet. Cravath indicated in those discussions that Tengelmann was not willing to support the proposed acquisition of Pathmark by A&P without proportional board representation and approval rights substantially as provided in the Tengelmann stockholder agreement term sheet, but that Tengelmann was willing to enter into a mirror vote provision, if Tengelmann's obligation was conditioned upon A&P honoring Tengelmann's proposed rights to proportional board representation, and to negotiate the other aspects of the term sheet. On February 13, 2007, McGuireWoods sent Cravath additional comments on the Tengelmann stockholder agreement term sheet relating to the points described above as well as others.

On February 13, 2007, Mr. Guldin, Ms. Galgano, Mr. Richards, Mr. Standley, Mr. Vitrano and Mr. Duckworth discussed potential synergies and integration plans as well as the financing of the proposed transaction. Also on February 13, 2007, Cahill and Latham & Watkins held a teleconference. They discussed and agreed that in the event that Pathmark's stockholders failed to approve the merger at a time when no competing transaction had been proposed, no termination fee would be payable, but Pathmark would reimburse A&P for its out-of-pocket legal expenses. They also discussed the size of the termination fee, as well as the percentage of the Yucaipa Investors' stock to be subject to the proposed voting agreement.

On the same day, the independent members of the A&P board held a special telephonic meeting. Also participating by telephone at the meeting were representatives of McGuireWoods. The independent directors discussed several open issues on the Tengelmann stockholder agreement term sheet. The independent members of the board were informed of Tengelmann's unwillingness to support the proposed acquisition of Pathmark by A&P without proportional board representation and approval rights substantially as provided in the Tengelmann term sheet but that Tengelmann was willing to enter into a mirror vote provision and negotiate other aspects of the term sheet.

On February 14, 2007, Cahill and Latham & Watkins held a conference call to discuss the proposed voting agreement and the termination fees. Specifically, Cahill requested that, in addition to the Yucaipa Investors agreeing to vote their full ownership position (amounting to approximately 40% of the outstanding Pathmark common stock) in favor of the proposed transaction, the Yucaipa Investors agree that they would vote their shares against any other acquisition proposal within the two-year period following termination of the merger agreement.

A telephonic meeting of the Pathmark special committee was held that day. At the meeting, a representative of PWP discussed with members of the Pathmark special committee the differences PWP believed existed between the Yucaipa Investors' and PWP's analyses of the proposed warrant agreement amendment. The members of the Pathmark special committee discussed these differences, as well as the question of whether either the Yucaipa Investors or A&P would be prepared to share any of the value represented by the proposed warrant agreement amendment with Pathmark's other stockholders. Members of the Pathmark special committee decided that Ms. Nash should call Mr. Duckworth and voice the Pathmark special committee's concerns with the Yucaipa Investors' analysis of the proposed warrant agreement amendment. In addition, the Pathmark special committee considered a draft letter to Yucaipa Companies to such effect, which the Pathmark special committee agreed Ms. Nash should send following her call with Mr. Duckworth.



Later that day, Ms. Nash had a discussion with Mr. Duckworth during which she conveyed the special committee's concerns. Mr. Duckworth told Ms. Nash that he would like to have a discussion with PWP and provide the special committee with further information on these issues. Thereafter, on behalf of the special committee, Ms. Nash sent a letter to Yucaipa Companies in which she stated that, taking into account advice from the special committee's financial advisor regarding the additional value that would accrue to the Yucaipa Investors as a result of the proposed amendments to the terms of the Series A and B Warrants, as well as the special committee's fiduciary duties and its understanding of the situation, the special committee did not see how it could approve the proposed warrant agreement amendment in its then-current form. Ms. Nash also stated that the special committee would be happy to consider any alternatives Yucaipa Companies might wish to propose.

On February 14, 2007, the independent members of the A&P board held a special telephonic meeting. Also participating by telephone at the meeting were representatives of McGuireWoods and PJSC. Representatives of McGuireWoods reviewed with the A&P directors the status of negotiations with Cravath regarding the Tengelmann stockholder agreement term sheet as well as the proposed Tengelmann advisory fee. The directors discussed the proposed advisory fee and considered PJSC's related advice.

Also on February 14, 2007, McGuireWoods sent to Cravath a revised version of the Tengelmann stockholder agreement that Cravath had distributed on January 15, 2007, which reflected comments of the independent directors on the outstanding open issues on the term sheet and, in addition, deleted Tengelmann's right to require A&P to file a shelf registration statement for the sale of A&P shares owned by Tengelmann, as well as indicated that the provision relating to an advisory fee for Tengelmann remained an open issue.

On February 15, 2007, Mr. Duckworth, on behalf of Yucaipa Companies, sent a letter to the Pathmark special committee. In the letter, Mr. Duckworth stated that Yucaipa Companies believed that the concessions the Yucaipa Investors had agreed to in limiting their rights as A&P stockholders and significantly reducing the liquidity of their securities had the effect of greatly diminishing the value of any consideration to be received by them in the proposed transaction. He stated that Yucaipa Companies did not believe that a transaction without the proposed amendments to the Series A and B Warrants represented compelling enough value for them to support.

A telephonic meeting of the Pathmark special committee was held on February 16, 2007. At the meeting, representatives of Shearman & Sterling and PWP shared their views on the letter received by the Pathmark special committee from Mr. Duckworth. After discussing the letter, the Pathmark special committee discussed the message that Ms. Nash should convey to the full board at the board meeting to be held later that day.

Later that day, the Pathmark board of directors held a telephonic board meeting. Mr. Burkle, as a representative of the Yucaipa Investors, was in attendance on the call. At this meeting, Mr. Standley and Mr. Vitrano updated the board on the status of the due diligence process with A&P, and the status of A&P's financing for the transaction, particularly as it related to the sale of Metro stock to fund a portion of the cash merger consideration. Representatives of Citigroup provided the board with Citigroup's preliminary financial analysis of the proposed merger, including the proposed merger consideration.

Also at this meeting, Mr. Burkle, on behalf of the Yucaipa Investors, addressed the special committee's preliminary concerns about the treatment of the Series A and B Warrants in the proposed transaction. Mr. Burkle explained to the board that the Series A and B Warrants had been purchased by the Yucaipa Investors in 2005 as part of a package of securities of Pathmark, in exchange for \$150 million in cash. He also explained that, in the proposed transaction with A&P, A&P was requiring that the Yucaipa Investors agree to numerous standstill and transferability restrictions on the Yucaipa Investors' rights with regard to the A&P common stock and warrants that the Yucaipa Investors would own after the merger, which were significant detriments to the value of the Yucaipa Investors' rights, which the Yucaipa Investors were under no obligation to agree to, and which the other common stockholders of Pathmark would not be subject to. He also noted that the terms of the rollover warrants were significantly less advantageous to the Yucaipa



Investors than the terms of the Series A and B Warrants. Mr. Burkle indicated, however, that the Yucaipa Investors would agree to these various terms and restrictions as part of facilitating an overall transaction with A&P for the benefit of all stockholders which, at the same time, would preserve the option value of the Series A and B Warrants. He also noted that several other transactions with A&P had been previously discussed with the board, including a merger of equals and an acquisition of A&P by Pathmark, and in these transactions the option value of the Series A and B Warrants would have been preserved. Mr. Burkle indicated that, if the Series A and B Warrants could not be rolled over into A&P warrants and therefore the existing option value of the Series A and B Warrants could not be preserved, then the Yucaipa Investors would not be willing to agree to the standstill and transferability restrictions on the Yucaipa Investors' common stock and warrants, and the other amendments to the terms of the Series A and B Warrants, that had been demanded by A&P, and the Yucaipa Investors would not be willing to support the transaction as stockholders of Pathmark. The members of the special committee attached great significance to the position expressed by Mr. Burkle because consummation of the proposed transaction was subject to the Yucaipa Investors' consent under the terms of the Pathmark Stockholders Agreement; moreover, in order to proceed with the proposed transaction, A&P had made clear that it would require the Yucaipa Investors to enter into a voting agreement in which they would agree to vote in favor of the proposed transaction.

Ms. Nash, on behalf of the special committee, informed the board that the Pathmark special committee could not respond to Mr. Duckworth's February 15 letter until (i) Citigroup had presented its views to the board regarding the fairness, from a financial point of view, to the stockholders of Pathmark of the consideration to be received by such stockholders in the proposed transaction and (ii) the documentation relating to the proposed transaction, including the proposed warrant agreement amendment to be entered into among the Yucaipa Investors and A&P, had been substantially finalized. Ms. Nash also indicated that the special committee was open to receiving additional information from the Yucaipa Investors, so that the special committee could better understand the views and analyses of the Yucaipa Investors and the terms of the restrictions imposed by A&P.

Following the board meeting, the Pathmark special committee reconvened and the members discussed the information obtained at the board meeting and further discussed the proposed warrant agreement amendment. As part of this discussion, the members of the special committee considered, among other things, the value that the proposed transaction with A&P would provide to Pathmark's stockholders and the risk of losing this value if the special committee did not approve the terms of the warrant agreement amendment and the Yucaipa Investors ceased to support the proposed transaction with A&P.

From February 16 through March 3, 2007, McGuireWoods and Cravath continued to exchange drafts of and discuss and negotiate the terms of the Tengelmann stockholder agreement.

On February 18, 2007, the independent members of the A&P board, held a special telephonic meeting to review the status of negotiations between McGuireWoods and Cravath. Also participating by telephone at the meeting were representatives of Cahill and PJSC.

During the period from February 18 through February 26, Ms. Galgano, Mr. Richards, Mr. Guldin, Mr. Duckworth, Mr. Standley and Mr. Vitrano, as well as A&P's and Tengelmann's respective counsel and advisors held a number of meetings and teleconferences to discuss the terms of the proposed merger agreement. A&P agreed that the Yucaipa Investors would be required to vote their shares representing only 33% of the outstanding Pathmark common stock in favor of the merger and against alternative transactions, and that the voting agreement would expire upon termination of the merger agreement. The remainder of the Yucaipa Investors' shares in excess of 33% of the outstanding shares could be voted in the Yucaipa Investors' sole discretion. A&P also agreed to a reduced termination fee of \$25 million. The parties also agreed that, if the merger agreement were terminated after the nine-month anniversary, or the one-year anniversary, of execution of the merger agreement, due to failure to receive antitrust approval (regardless of the level of store level cash flow that is required to be divested), the termination fee payable by A&P to Pathmark would be \$50 million, and \$75 million, respectively.



Also during this period, A&P provided to Pathmark the drafts of its financing commitment letters. The financing commitment letters were expressly conditioned on the receipt by A&P of proceeds of \$190 million from the sale of Metro shares that it owned, and there was no commitment by any third party to ensure that those proceeds would be obtained. Even though the transaction was not conditioned on receipt of financing, Pathmark required that all the financing be fully committed at the time of signing of the merger agreement. Pathmark discussed with A&P the fact that, because the receipt of proceeds from the sale of Metro shares was not assured, it was possible that the transaction would not close because of A&P's failure to obtain financing.

Pathmark also proposed to A&P a retention pay plan, change of control severance plans for employees and transaction bonuses for four key executives in order to better provide stability in the workforce prior to closing, which would increase the likelihood that the transaction closed and facilitate the post-closing integration of the companies. The retention pay plan would be offered to certain office associates (excluding the Chief Executive Officer, Co-Presidents and Executive Vice Presidents of Pathmark) and, subject to certain conditions, would entitle each such associate to receive a retention payment equal to 20-30% of his/her respective base salary, paid in three equal installments as follows: (i) 180 days after execution of the merger agreement, (ii) two weeks after closing of the merger, and (iii) after the closing of the merger, the earlier of a termination of the associate or 180 days after closing of the merger. The change of control severance plans would be offered to certain office and field associates (excluding Pathmark's executive officers) and, subject to certain conditions, would entitle each such associate to receive a severance payment upon involuntary termination of employment, other than for cause, within 12 months of a change of control (such as completion of the merger). The transaction bonuses would be offered to four key executives and, subject to certain conditions, would entitle such executives to receive bonus payments of either \$50,000 or \$100,000 in the event such executive remained continuously employed by Pathmark through the close of the merger or under certain other circumstances. See *Interests of Certain Persons In the Merger Transaction Bonus Agreements and Retention Pay Plan*.

On February 18, 2007, Mr. Duckworth spoke by telephone with representatives of PWP in order to describe the Yucaipa Investors' warrant valuation methodology.

A telephonic meeting of the Pathmark special committee was held on February 20, 2007. At the meeting, Mr. Duckworth presented the Pathmark special committee with the Yucaipa Investors' views regarding the Yucaipa Investors' valuations (and the underlying assumptions used in those valuations) with respect to the consideration the Yucaipa Investors would be entitled to receive under the terms of the proposed transaction, including the proposed warrant agreement amendment. During the course of this presentation, Mr. Duckworth noted the Yucaipa Investors' views on, among other things, (i) the valuation of the option life of the rollover warrants; (ii) the volatility assumptions for both Pathmark and A&P common stock and the risk free rate to be utilized in valuing the rollover warrants; (iii) the impact of the standstill and transfer restrictions and stockholder rights limitations on the value of the A&P common stock underlying the rollover warrants and to be received by the Yucaipa Investors in the proposed transaction; and (iv) the impact of the ability of A&P to defer delivery of A&P common stock or payment of cash upon the exercise of the rollover warrants. Following Mr. Duckworth's presentation, the members of the Pathmark special committee discussed Mr. Duckworth's presentation among themselves, as well as with their advisors.

On February 20, 2007, the A&P board held a regularly scheduled meeting to review the status of the Pathmark transaction. Also in attendance were Mr. Claus and Ms. Galgano, as well as representatives of JPMorgan, Axinn Veltrop & Harkrider LLP ( *Axinn* ), special antitrust counsel to A&P, and Cahill. Representatives of Axinn reviewed for the board the antitrust clearance process, including anticipated timing, historical context, the current competitive market setting, possible issues to address, and the range of possible outcomes. Members of management then reviewed with the board the status of the diligence effort, including the status of obtaining information from Pathmark, the status of evaluating anticipated synergies from the transaction, financial and operational evaluations and integration matters. Management also reviewed with the board the status of the financing. The JPMorgan representatives then reviewed with the board their





views of the transactions and reviewed and discussed with the board various factors, analyses, projections and valuation methodologies which would be part of their fairness analysis.

Later on February 20, 2007, the independent members of the A&P board, together, for a portion of the meeting, with John Barline, an A&P director affiliated with Tengelmans, held a special telephonic meeting, at which representatives of McGuireWoods, PJSC and Cahill were present, to review the status of discussions with Cravath regarding Tengelmans' requested board representation and governance and other stockholder rights. Following the departure from the meeting of Mr. Barline, the independent directors discussed appropriate responses to the remaining open issues with Tengelmans. Following the discussion, the independent directors indicated that McGuireWoods should seek to resolve the issues.

On February 23, 2007, the Pathmark board held an update call in which Mr. Standley, Mr. Duckworth and Citigroup advised the directors of the status of the proposed transaction.

As discussed by the parties in mid-December 2006, the merger consideration offered by A&P was \$9.00 in cash and \$3.50 in A&P stock, with the exchange ratio for the stock portion expected to be calculated based upon \$3.50 divided by the average closing price of the A&P common stock for the twenty trading days prior to the date of execution of the merger agreement. In mid-December, the parties targeted signing a merger agreement by mid-January, 2007, but had not met that target.

As a result, on or about February 24, 2007, Mr. Burkle discussed with Mr. Haub the possibility of revising the exchange ratio, because during the course of the previous weeks the market trading price of A&P common stock had moved substantially higher, and the agreements had not been finalized by mid-January as had been initially anticipated. Pathmark believed that the exchange ratio calculated under the 20-trading-day average formula no longer accurately reflected the business understanding and was not acceptable. Messrs. Burkle and Haub agreed to continue discussion of the issue.

On February 25, 2007, the independent members of the A&P board held a special telephonic meeting. Cahill updated the independent directors on the status of discussions with Pathmarks' representatives regarding the proposed transaction.

On February 26, 2007, the compensation committee of the Pathmark board held a telephonic meeting at which the committee approved a retention bonus plan, change of control severance plans for employees, and transaction bonuses for four executives who would each play a key role in consummating the proposed transaction.

Later that day, A&P proposed to Pathmark a new merger consideration structure. Under this structure, A&P would agree to sell up to 7.1 million shares of Metro stock within ninety days after execution of the merger agreement. In the event that the sale yielded less than \$190 million, then the aggregate cash portion of the merger consideration would be adjusted downward by the difference between \$190 million and the sale proceeds, and the aggregate amount of the stock portion of the merger consideration would be adjusted upward by the same amount.

On February 27, the trading volumes for both A&P's and Pathmarks' publicly traded securities increased above their average volumes, and the trading prices of the securities of the two companies also increased. In response to this market activity, A&P and Pathmark were separately contacted by the NYSE and NASDAQ, respectively, with requests for public disclosure of the pending negotiations. In response to these requests, A&P and Pathmark each issued press releases disclosing the fact that the parties were engaged in negotiations for A&P to acquire Pathmark for a possible purchase price of \$12.50 in cash and A&P common stock.

Later that day, the Pathmark board of directors held a special telephonic meeting at which all directors were present. Mr. Standley described for the board the change that A&P had proposed regarding altering the cash/stock mix of the merger consideration based on the results of the sale of Metro stock by A&P. They noted that this was a change in a

fundamental term and required further discussion with A&P before any recommendation could be made to the board.

Citigroup then presented a detailed preliminary financial analysis of the proposed transaction, including financial analyses of Pathmark, A&P and the proposed merger consideration of \$12.50 per share in cash and A&P common stock. Citigroup noted that, as a result of A&P's proposal to

change the cash/stock mix of the merger consideration, Citigroup would need to conduct further analysis when the terms of that proposal were further defined.

The directors discussed whether there was any likelihood that another purchaser would be interested in acquiring Pathmark at a higher valuation. The directors noted the publicly announced auction process in 2004 and 2005, which had failed to generate any attractive offers to acquire Pathmark. In addition, publicly available analyst commentary about Pathmark had repeatedly referred to Pathmark as a likely and most advantageous merger partner with A&P. Notwithstanding this commentary, Pathmark had not received any credible acquisition proposals from any person other than A&P. In addition, the Pathmark board believed that the February 27 press releases issued by A&P and Pathmark would alert any third parties interested in acquiring Pathmark to the potential transaction with A&P, and interested purchasers would presumably contact Pathmark if they were willing to offer a valuation higher than \$12.50 per share of Pathmark common stock.

Also at this board meeting, the board reviewed in detail the draft transaction documents, including the terms of the merger consideration, treatment of employee stock options and warrants, nonsolicitation covenant, termination fees, voting agreements, and antitrust provisions. They also reviewed the proposed stockholders agreement between A&P and the Yucaipa Investors, noting the restrictions that the agreement placed on the Yucaipa Investors' ability to exercise many of the rights normally attendant to the ownership of stock in a public company, including the right to influence the management and control of A&P, make proposals to the board of A&P, solicit other stockholders, and freely acquire or dispose of A&P shares and warrants.

On February 28, 2007, the A&P board held a special telephonic meeting to review the status of the Pathmark transaction. Also in attendance were Mr. Claus, Ms. Galgano, Mr. Richards and Chris McGarry, an executive officer of A&P, as well as representatives of JPMorgan, Cahill, Cravath and McGuireWoods. Mr. Haub updated the board on the process regarding the Pathmark acquisition. He reported that, in response to a call from the NYSE, A&P had issued a February 28 press release acknowledging negotiations for A&P's acquisition of Pathmark. Mr. Haub stated the transaction agreements were essentially complete with the main open issues regarding financing terms, the A&P stock price to be used to determine the Pathmark equity conversion and antitrust-related matters. The A&P board then discussed these matters and authorized management to continue negotiations.

A meeting of Mr. Haub, Mr. Guldin, Mr. Burkle, Mr. Duckworth and Mr. Standley was held in New York City on March 1, 2007. By that time, A&P had abandoned its proposal to adjust the cash/stock mix of the merger consideration depending on the future results of its sale of Metro stock. At this meeting, A&P agreed to a termination right by Pathmark, and a \$50 million termination fee, in the event that A&P failed to generate at least \$190 million of proceeds from the sale of Metro stock within ninety days following the execution of the merger agreement. A&P also agreed that if the proposed transaction failed to close due to the failure to obtain financing for the cash portion of the merger consideration, then A&P would pay Pathmark a termination fee of \$50 million, which amount would increase to \$75 million if the closing were delayed beyond one year for antitrust reasons. This termination fee would be in addition to breach of contract damages that Pathmark might have against A&P, because the proposed transaction was not conditioned upon the receipt of financing. A&P also agreed to reimburse Pathmark for its legal fees and expenses if the transaction was not approved by the stockholders of A&P.

Also as part of these meetings, Mr. Burkle proposed that the exchange ratio for the stock portion of the merger consideration would be determined by valuing A&P common stock at \$27 per share rather than the then-current 20-trading-day average of \$29.56. Mr. Haub agreed to consider the proposal. This change would have the effect of increasing the exchange ratio from 0.11840 to 0.12963 A&P shares for each share of Pathmark stock.

On March 2, 2007, the A&P board held a special telephonic meeting, to review the status of the Pathmark transaction. Also in attendance were Mr. Claus, Ms. Galgano and Mr. Richards, as well as representatives of JPMorgan, Cahill, Cravath and McGuireWoods. Mr. Haub reviewed with the board the status of negotiations regarding the acquisition of Pathmark. He reported that he and Mr. Burkle had met the previous day. The open issues continued to be financing

certainty, exchange ratio and price. He reported that, as part of reaching agreement on such terms, they had also

tentatively agreed to a revision of exchange value of each Pathmark share from the twenty day formula earlier discussed to a fixed exchange ratio.

Representatives from JPMorgan then reviewed with the board the price activity of the stock of A&P and of Pathmark for various time periods, and various metrics relating to the adjusted A&P stock value to be utilized in the merger, as well as various strategic and governance issues. JPMorgan representatives reviewed the financial implications of the increase on the terms of the merger, including the potential value of the warrants.

The board then discussed these matters and Mr. Haub summarized the advantages and disadvantages of the transaction and indicated his belief that it was advisable to proceed with the transaction. The board also discussed financing options, including the sale of Metro stock. The board then determined that the value adjustment was acceptable, that the transaction continued to have the potential to deliver significant value to A&P stockholders and that management should seek to reach agreement on the remaining terms and present its recommendation to the board on Sunday, March 4, 2007.

On the evening of March 2, 2007, Mr. Haub and Mr. Burkle spoke by telephone and agreed to recommend a final fixed exchange ratio for the stock portion of the merger consideration based on a price of \$27 per share of A&P common stock instead of the 20-trading-day average. Based on the closing market price of A&P common stock on March 2, 2007 of approximately \$30.86, the change in the exchange ratio formulation resulted in an increase of approximately \$25 million in aggregate value to Pathmark stockholders, or an increase of approximately \$0.50 per share of Pathmark common stock.

On March 3 and 4, 2007, A&P, Pathmark, Latham & Watkins and Cahill exchanged numerous drafts and finalized the agreements.

By March 3, 2007, A&P and Tengelmann had reached agreement on the open issues on the Tengelmann stockholder agreement. As a result of this negotiation, Tengelmann agreed that, if A&P nominates and recommends the election of a number of Tengelmann nominees proportional to its ownership of A&P common stock, then Tengelmann will vote all its shares of A&P common stock in a manner identical to the manner in which the non-Tengelmann-affiliated stockholders vote their shares in the election of directors other than the Tengelmann nominees, unless a person other than Tengelmann has initiated a proxy contest. Tengelmann also agreed to certain modifications of its proposed approval rights as reflected in the Tengelmann stockholder agreement term sheet, including that certain significant transactions would be subject to the approval of a majority of the A&P directors nominated by Tengelmann, but a more limited group of significant transactions would require Tengelmann's approval. Tengelmann also agreed to more narrow approval rights in a number of instances, including by agreeing to apply a liquidity test to its approval rights over the settlement with A&P stock of warrants exercised by the Yucaipa Investors, Tengelmann also agreed that it would not require A&P to file a shelf registration statement for the sale of A&P shares owned by Tengelmann. The parties agreed that while the calculation of Tengelmann's ownership percentage of A&P would protect Tengelmann from dilution from most share issuances, Tengelmann would lose its board representation, approval and most other stockholder rights if its actual ownership percentage of A&P were to fall below 10%. Tengelmann also agreed to forgo an advisory fee in exchange for A&P's agreement that it would negotiate in good faith with Tengelmann to enter a services agreement under which Tengelmann would agree to provide transactional and other services to A&P for reasonable compensation.

On March 4, 2007, the independent members of the A&P board held a meeting to discuss and consider whether to recommend to the full board of directors that the board authorize A&P to enter into a stockholder agreement with Tengelmann in connection with the contemplated acquisition by A&P of Pathmark. Also participating by telephone at the meeting were representatives from Cahill, McGuireWoods and PJSC. At this meeting, representatives of McGuireWoods reviewed with the directors the terms of the Tengelmann stockholder agreement and the draft of that agreement.

The independent directors noted that the Tengelmann stockholder agreement requires A&P and Tengelmann to negotiate in good faith an advisory services agreement whereby Tengelmann would

provide certain services to A&P for compensation to be agreed upon. Representatives of PJSC noted that no fee would be paid to Tengelmman in connection with the Pathmark acquisition and, in their view, the rights being granted to Tengelmman under the Tengelmman stockholder agreement were reasonable given the size of its ownership in A&P. Representatives of McGuireWoods then reviewed the standard of care required of directors of a Maryland corporation applicable to these decisions. The independent directors then deliberated on these matters and unanimously resolved to recommend to the A&P board of directors that it approve the Tengelmman stockholder agreement and the transactions contemplated thereby.

Immediately thereafter, on March 4, 2007, the A&P board held a special meeting. Also in attendance were Mr. Claus, Ms. Galgano, Mr. Richards and Mr. McGarry, as well as representatives of JPMorgan, Cahill, Axinn, PJSC and McGuireWoods. Mr. Haub reported to the board that agreement had been reached on all terms regarding A&P's proposed acquisition of Pathmark. Representatives of Cahill then reviewed with the board the terms of the transaction, including the closing conditions, the terms and effect on the combined company of the financing arrangements, the fees payable to Yucaipa Companies in connection with the Management Services Agreement, the merger consideration and the treatment of outstanding options and warrants for Pathmark shares (including the Yucaipa Investors' warrants) and provisions for payment of cash for certain Pathmark stock options and conversion of others into A&P stock options.

Representatives of Cahill then reviewed with the board the requirements of seeking regulatory approval of the acquisition and the terms of the merger agreement permitting A&P to terminate the merger agreement for antitrust-related reasons and representatives of Axinn and Cahill described antitrust issues. Cahill representatives also reviewed with the board the circumstances under which Pathmark would be permitted under the merger agreement to consider alternative transactions to A&P's acquisition. The board also considered provisions for employment benefits for retained Pathmark employees, the termination fee provisions of the merger agreement, and the provisions for Mr. Mays to become a new director of A&P unless he is an employee or director of a competitor, in which case Pathmark would be able to nominate another director to the A&P board and the covenants in the merger agreement governing conduct of the parties' business prior to closing of the merger. Representatives of Cahill also reviewed with the board the proposed financing for the acquisition, including the debt commitment letters received by A&P, the timing of the shareholder meetings of A&P and Pathmark and the required votes, as well as the matters on which the shareholders would be requested to vote at such meetings. Cahill also described the provisions in the merger agreement permitting a change in board recommendation in connection with observance of fiduciary duties applicable to Pathmark. Cahill also described Yucaipa's and Tengelmman's voting obligations under the voting agreements and their rights under the stockholder agreements. McGuireWoods reviewed with the board the required standard of conduct of directors of a Maryland corporation.

Representatives of JPMorgan then presented to the A&P board their analysis regarding the fairness of the transaction, from a financial point of view, to A&P and delivered JPMorgan's fairness opinion to the board, that as of the date of the opinion, and based on and subject to the qualifications, assumptions and limitations set forth therein, the merger consideration to be paid by A&P was fair, from a financial point of view, to A&P. After consideration, the A&P board resolved unanimously to approve the merger agreement and the transactions contemplated thereby and the independent members of the A&P board, with the non-independent members abstaining, unanimously approved the Tengelmman stockholder agreement.

A telephonic meeting of the Pathmark special committee was held on March 4, 2007. At the meeting, a representative of PWP updated the Pathmark special committee on the potential value attributable to the proposed warrant agreement amendment in light of the increase in merger consideration payable to Pathmark's stockholders in connection with the proposed transaction. The members of the Pathmark special committee discussed this revised valuation. A representative from Shearman & Sterling reviewed with the Pathmark special committee a draft resolution for adoption should a majority of its members determine to give a favorable recommendation to the full board with respect to the proposed warrant agreement amendment.





Later that day, the Pathmark board of directors convened a special telephonic meeting at which all directors were present, as well as Mr. Burkle, Mr. Vitrano, Citigroup, Latham & Watkins, and Shearman & Sterling. Mr. Standley noted that, since the announcement five days earlier that Pathmark was considering a sale of Pathmark to A&P and the extensive media and analyst commentary on that announcement, Pathmark had not received any contacts or inquiries from any potential interested purchasers. Mr. Duckworth informed the board that Yucaipa Companies had received one contact from a potential interested party and explained to the board that the potential interested party was a financial buyer that lacked committed debt and equity financing. Mr. Duckworth also noted for the board that the party appeared to be in the initial stages of developing a larger business plan that focused on the grocery sales industry but did not have existing operations or appear to have significant experience in the industry. After considering the foregoing information, Yucaipa Companies and the board determined that the potential interested party was not credible. In addition, Mr. Standley and Mr. Duckworth indicated that they were not aware of any market rumors that any other person was interested in making a bid for Pathmark. Representatives of Citigroup also indicated that they were unaware of any such rumors and that, to their knowledge, no one at Citigroup had been contacted during the course of the strategic review process by any third party expressing interest in acquiring Pathmark. This absence of any such market rumors or credible inquiries from third parties during the five-day period following the A&P and Pathmark press releases was significant because it had been expected that any third party that was interested in acquiring Pathmark for a valuation higher than \$12.50 per share of Pathmark common stock would have contacted Pathmark or one of its representatives after the proposed transaction was publicized but prior to the execution of a definitive merger agreement.

The board reviewed the most recent changes in the terms of the proposed transaction since the previous board meeting, including the increase in the exchange ratio referenced above. Representatives of Citigroup reviewed its financial analysis of the proposed transaction, as revised in light of the increased exchange ratio of 0.12963. Citigroup then rendered its oral opinion, confirmed in writing on March 4, 2007, to the Pathmark board of directors that, as of the date of its written opinion and based upon and subject to the considerations and limitations described in the opinion, the merger consideration was fair, from a financial point of view, to the holders of Pathmark common stock (other than the Yucaipa Group). The special committee of the board then met in a separate session, where it determined to give a favorable recommendation to the board with respect to the proposed warrant amendment.

When the board meeting reconvened, Ms. Nash delivered the report and determination of the special committee to the full board with respect to the proposal to amend the terms of the Yucaipa Investors Series A and B Warrants as part of the proposed transaction. In a letter to the board, she stated that, following her letter to Mr. Duckworth on February 14, 2007, the special committee had received additional information with respect to the warrant agreement amendment proposal and related matters. Having considered that information as well as other factors, the special committee had adopted resolutions which constituted its favorable recommendation to the board with respect to the proposed warrant agreement amendment. In the special committee resolutions attached to the letter, the special committee noted that it recognized that: (i) the special committee had reviewed the terms and conditions of the proposed warrant agreement amendment, as well as the terms and conditions of the proposed transaction with A&P; (ii) the special committee had received advice from PWP, the special committee's independent financial advisor, and Shearman & Sterling, in connection with the special committee's review of the proposed warrant agreement amendment; (iii) additional value could potentially accrue to the Yucaipa Investors as a result of the warrant agreement amendment but not to the other stockholders of Pathmark; (iv) the Series A and B Warrants held by the Yucaipa Investors would, in the absence of the warrant agreement amendment, suffer a significant reduction in value upon consummation of the proposed transaction compared with their then-current value; (v) the warrants and shares of A&P which the Yucaipa Investors would be entitled to receive in the proposed transaction would be subject to various transfer and other restrictions that adversely affect the value of such warrants and shares; (vi) the Yucaipa Investors had agreed, as part of the proposed transaction, to not dispose of their Pathmark shares or warrants pending completion of the proposed transaction; (vii) it was possible that

alternative transaction structures to the proposed transaction existed that, if used, could have resulted in the same treatment of the Series A and B Warrants as the proposed warrant agreement amendments but without requiring any amendments to their terms; (viii) the Yucaipa Investors had informed the special committee that they were not prepared to support the proposed transaction unless it included the proposed warrant agreement amendment without modification; (ix) Citigroup had rendered an opinion to the board that, as of March 4, 2007, the merger consideration to be received by holders of Pathmark's common stock pursuant to the proposed transaction was fair, from a financial point of view, to such holders (other than the Yucaipa Group); (x) neither Pathmark nor Yucaipa Companies had received proposals for any transaction that would offer consideration for the Pathmark stockholders (other than the Yucaipa Investors) that would be greater than that contemplated by the proposed transaction; (xi) there was the risk that, in the absence of an announcement of a transaction such as the proposed transaction, the trading price of Pathmark's common stock would decline significantly; (xii) without the support of the Yucaipa Investors, Pathmark would be unable to proceed with the proposed transaction and the value it could provide to Pathmark's stockholders; and (xiii) the special committee believed that it was in the best interests of Pathmark's stockholders (other than the Yucaipa Investors) to facilitate consummation of the proposed transaction by giving a favorable recommendation with respect to the proposed warrant agreement amendment.

Thereafter, Mr. Duckworth confirmed that the Yucaipa Investors consented to the proposed transaction with A&P, and would enter into the proposed Yucaipa Voting Agreement (as defined below), the proposed Yucaipa Stockholder Agreement (as defined below), and the proposed warrant agreement amendment. The directors then voted unanimously to approve the proposed merger agreement with A&P and the related transaction documents, and authorized management to execute the agreements.

Thereafter, Pathmark, A&P, the Yucaipa Investors and Tengemann executed and delivered the transaction documents. The transaction was announced by press release on the morning of March 5, 2007.

#### **Pathmark's Reasons for the Merger; Recommendation of the Pathmark Board of Directors**

After careful consideration, the Pathmark board of directors has unanimously approved the merger agreement, has determined that the merger is fair to, advisable, and in the best interests of, Pathmark and Pathmark stockholders and has unanimously recommended that Pathmark stockholders vote **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger.

In the course of reaching its decision to unanimously recommend that Pathmark stockholders vote **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, the Pathmark board of directors consulted with its financial and legal advisors, and reviewed a significant amount of information and considered a number of factors, including the following:

- historical,
- current and
- projected
- information
- concerning
- Pathmark's
- business,
- financial
- performance
- and condition,
- capital
- requirements,
- operations

and competitive position, including the sensitivities and uncertainties related thereto, and current industry, economic and market conditions, including Pathmark's prospects if Pathmark were to remain an independent company and competitive conditions affecting Pathmark's stores;

Pathmark's board of directors' past consideration of the possible alternatives to the merger, including continuing to operate Pathmark on an independent basis and/or engaging in other acquisition transactions, and the risks associated with these alternatives,

each of which  
the Pathmark  
board of  
directors  
determined  
not to pursue  
in light of its  
belief that the  
entry into the  
merger  
agreement  
was in the  
best interest  
of Pathmark  
stockholders  
and that the  
merger was  
more  
favorable to  
Pathmark  
stockholders  
than any other  
alternative  
reasonably  
available to  
Pathmark;

Pathmark's board of directors believe that, based on consultation with Pathmark's management team, the proposed merger with A&P would likely allow Pathmark to more effectively implement its long-term plan to grow its business, meet its cost challenges and make Pathmark's stores even more competitive and attractive to its customers;

the value of the consideration to be received by Pathmark stockholders pursuant to the merger agreement, as well as the fact that Pathmark stockholders will receive a portion of the consideration in cash, which provides certainty of value;

the fact that Pathmark stockholders will receive a portion of the consideration in A&P common stock, which will allow Pathmark stockholders to share in growth or other opportunities of A&P after the merger;

the fact that the fixed number of shares of A&P common stock that Pathmark stockholders will receive in the merger will allow Pathmark stockholders to benefit from any increase in the trading price of A&P common stock between the announcement of the merger agreement and the completion of the merger;

historical, current and projected information concerning A&P's business, financial performance and condition, capital requirements,

operations,  
management  
and  
competitive  
position,  
including the  
sensitivities  
and  
uncertainties  
related thereto,  
and current  
industry,  
economic and  
market  
conditions;

the per share  
merger  
consideration  
of \$9.00 in cash  
and \$4.00 in  
A&P common  
stock to be paid  
to Pathmark  
stockholders,  
based upon an  
exchange ratio  
of 0.12963 and  
A&P's closing  
stock price of  
\$30.86 on  
March 2, 2007  
(the last trading  
day prior to the  
announcement  
of the  
execution of  
the merger  
agreement),  
represents a  
premium of  
approximately:

15.6%  
over the  
closing  
price of  
Pathmark  
common  
stock on  
March 2,



2007,

12.5%  
over the  
average  
closing  
price of  
Pathmark  
common  
stock for  
the  
30-day  
period  
ended  
March 2,  
2007,

11.8%  
over the  
highest  
closing  
price of  
Pathmark  
common  
stock  
during the  
52-week  
period  
ended  
February  
16, 2007,  
and

71.1%  
over the  
lowest  
closing  
price of  
Pathmark  
common  
stock  
during the  
52-week  
period  
ended  
February  
16, 2007;

the fact that  
financial  
analysts and

others had commented for many years that Pathmark and A&P were likely merger partners;

the fact that, despite Pathmark's and A&P's announcement on February 26, 2007 that they were in merger negotiations, no bona fide acquisition proposals were received by Pathmark prior to announcement of the execution of a merger agreement on March 4, 2007;

the financial presentation of Citigroup (including the assumptions and methodologies underlying its analysis undertaken in connection therewith) and the written opinion of Citigroup, which is attached to this proxy statement as Annex H and

which you should read carefully in its entirety, to the effect that, as of March 4, 2007, and based upon and subject to the considerations and limitations set forth therein, the per share merger consideration to be received by the holders of Pathmark common stock was fair, from a financial point of view, to such stockholders (other than the Yucaipa Group);

the historical market prices of Pathmark common stock, including the possibility that if Pathmark remained as a publicly traded company, in the event of a decline in the market price of Pathmark common stock or the stock market in general, the price that might be received by holders of Pathmark

common stock  
in the open  
market or in a  
future  
transaction  
might be less  
than the  
consideration  
to be paid to  
Pathmark  
stockholders in  
the merger;

the financial  
and other terms  
and conditions  
of the merger  
agreement, as  
reviewed by  
Pathmark's  
board of  
directors with  
Pathmark's  
financial and  
legal advisors,  
and the fact  
that they were  
the product of  
arm's-length  
negotiations  
between the  
parties;

Pathmark's board of directors' belief, in light of the provisions of the merger agreement requiring A&P to divest itself of certain assets in connection with obtaining antitrust approval and other factors, that the merger does not present an unacceptable level of nonconsummation risk and that the conditions to the merger are reasonable and can be reasonably expected to be satisfied;

the fact that, pursuant to the terms of the Tengemann Voting Agreement, Tengemann has agreed to vote shares of A&P common stock, representing approximately 53% of the outstanding shares of A&P common stock, in favor of the issuance of A&P common stock to Pathmark stockholders in connection with the merger;

the fact that Pathmark stockholders will be entitled to exercise dissenters' rights under Delaware law, as described under The Merger Agreement Dissenters Rights ;

the fact that the merger agreement affords Pathmark's board of directors flexibility to consider and evaluate alternative acquisition proposals in the period after signing and prior to adoption of the merger agreement by Pathmark stockholders, as follows:

subject to compliance with the merger agreement, Pathmark's board of directors is permitted to participate in negotiations or discussions with, and furnish nonpublic information to, any person or group in response to an acquisition proposal that is more favorable to Pathmark stockholders than the merger or that Pathmark's board of directors determines in good faith, after consultation with financial advisors and outside legal counsel, that such acquisition proposal would

reasonably be expected to result in an acquisition proposal that is more favorable to Pathmark stockholders than the merger and that Pathmark's board of directors determines in good faith, after consultation with outside legal counsel, that failure to do so would be inconsistent with the Pathmark board of directors fiduciary duties under applicable law;

subject to compliance with the merger agreement, Pathmark's board of directors is permitted to change its recommendation to stockholders with respect to an alternative transaction if the Pathmark board of directors determines in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with its fiduciary

duties under applicable law and has given A&P five business days prior notice of its intention to take such action, subject to A&P's right to terminate the merger agreement and require Pathmark to pay a termination fee of \$25 million; and

although they currently own approximately 38% of the outstanding Pathmark shares, the Yucaipa Investors are only obligated to vote 33% of the outstanding Pathmark shares for the adoption of the merger agreement and against alternative transactions, and the balance may be voted by the Yucaipa Investors in their sole discretion;

the fact that the Pathmark board of directors formed a special committee, composed entirely of independent directors, none of



whom were nominated by the Yucaipa Investors to serve on the Pathmark board of directors, to review any proposed amendment to the existing Yucaipa Investors warrant agreement (including the Yucaipa Warrant Agreement as defined below), and the fact that the special committee, after receiving advice from its own financial and legal advisors, unanimously delivered a favorable recommendation to Pathmark's board of directors with respect to the Yucaipa Warrant Agreement;

the fact that A&P's obligation to complete the merger is not subject to any financing condition;

the fact that A&P obtained and delivered a debt commitment letter from its lenders, pursuant to which A&P's

lenders  
committed,  
subject to the  
conditions  
provided therein,  
to provide A&P  
with a senior  
secured  
revolving credit  
facility in the  
amount of \$615  
million and up to  
\$780 million of  
senior secured  
loans in order to  
complete the  
merger and pay  
the cash portion  
of the  
consideration to  
be paid to  
Pathmark  
stockholders;

the fact that A&P  
would be  
obligated to pay  
a termination fee  
and/or expense  
reimbursement,  
up to a maximum  
amount of \$75  
million, to  
Pathmark under  
certain

circumstances  
relating to  
A&P's failure  
to obtain  
antitrust  
approval or  
financing for  
the  
transaction;  
and

the provision  
for one  
member of the  
Pathmark  
board of  
directors to be  
appointed to  
the A&P  
board of  
directors,  
which the  
Pathmark  
board of  
directors  
believes will  
provide a  
degree of  
continuity and  
oversight in  
the integration  
of the two  
companies.

In the course of its deliberations, the Pathmark board of directors also considered a variety of risks and other countervailing factors concerning the merger agreement and the merger, including the following:

the risks and  
costs to  
Pathmark if the  
merger does not  
close, including  
the diversion of  
management and  
employee  
attention,  
employee  
attrition and the  
effect on  
Pathmark's  
business

relationships;

the fact that the fixed number of shares of A&P common stock that Pathmark stockholders will receive in the merger exposes Pathmark stockholders to the risk of a decrease in the trading price of A&P common stock between the announcement of the merger agreement and the completion of the merger, and the fact that the merger agreement does not provide Pathmark with a price- based termination right or similar protection in relation to such a decrease;

the fact that the completion of the merger is subject to a number of conditions, including antitrust approval;

the restrictions on the conduct of Pathmark's business prior to the completion of the merger, requiring

Pathmark to use commercially reasonable efforts to conduct its business in the ordinary course generally consistent with past practice and to refrain from taking certain actions, which may delay or prevent Pathmark from undertaking business opportunities that may arise pending completion of the merger;

the fact that Pathmark would no longer exist as an independent, publicly traded company and Pathmark stockholders would no longer participate in the future earnings or growth, and would not benefit from any appreciation in the value, of Pathmark as an independent company;

the restrictions that the merger agreement imposes on Pathmark's ability to actively solicit competing bids, and the fact that

Pathmark would be obligated to pay a termination fee and/or expense reimbursement, up to a maximum amount of \$25 million, to A&P under certain circumstances, which could raise the cost for a third party to make a competing bid for Pathmark;

the fact that the decision not to engage in an auction process or to actively solicit alternative acquisition proposals may have prevented Pathmark from receiving and evaluating such proposals;

Pathmark's obligation to call and hold a meeting of its stockholders to adopt the merger agreement regardless of whether Pathmark's board of directors has changed its recommendation to Pathmark stockholders with respect to the merger or Pathmark has received an

alternative  
acquisition  
proposal that is a  
superior proposal  
as defined in the  
merger  
agreement;

the fact that,  
pursuant to the  
terms of the  
Yucaipa Voting  
Agreement, the  
Yucaipa  
Investors have  
agreed to vote  
shares of  
Pathmark  
common stock  
owned by the  
Yucaipa  
Investors,  
representing up  
to 33% of the  
outstanding  
shares of  
Pathmark  
common stock,  
in favor of the  
adoption of the  
merger  
agreement and  
against any  
action, proposal,  
transaction or  
agreement that  
would constitute  
an alternative  
acquisition  
proposal or that  
would compete  
with or would  
delay,  
discourage,  
adversely affect  
or inhibit the  
timely  
consummation of  
the merger;

the fact that gains from the transaction would be taxable to Pathmark stockholders for U.S. federal income tax purposes; and

the interests of the Yucaipa Investors and Pathmark's directors and officers in the merger described under The Merger Interests of Certain Persons in the Merger.



The foregoing discussion of the factors considered by the Pathmark board of directors is not intended to be exhaustive, but does set forth the principal factors considered by them. The Pathmark board of directors collectively reached the unanimous conclusion to recommend that the stockholders adopt the merger agreement in light of the various factors described above and other factors that each member of the board of directors believed were appropriate. In view of the wide variety of factors considered by Pathmark's board of directors in connection with their respective evaluation of the merger and the complexity of these matters, the Pathmark board of directors did not consider it practical to, and did not attempt to, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its decision, and the Pathmark board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination. Rather, the Pathmark board of directors made its recommendations based on the totality of information presented to its members and the investigation conducted by them. In considering the factors discussed above, individual directors may have given different weights to different factors.

### **A&P's Reasons for the Merger; Recommendation of the A&P Board of Directors**

The A&P board of directors has unanimously approved and declared the advisability of the merger agreement, has determined that the merger agreement is in the best interests of A&P and the holders of A&P common stock and unanimously recommends that A&P stockholders vote FOR the proposal to approve the issuance of shares of A&P common stock pursuant to the merger agreement.

In reaching its determination to authorize and declare the advisability of the merger agreement and unanimously recommend the A&P stockholders vote FOR the proposal to approve the share issuance of A&P common stock pursuant to the merger agreement, the A&P board of directors consulted with senior management and A&P's legal and financial advisors and considered various factors, including:

Pathmark's  
financial  
condition, results  
of operations,  
business,  
competitive  
position,  
reputation and  
business  
prospects, as well  
as current  
industry,  
economic,  
government,  
regulatory and  
market conditions  
and trends.

The  
recommendations  
and  
determinations of  
the A&P  
independent  
directors.

An assessment of the following:

The complementary strengths of each company.

A&P's integration capabilities.

The combined company's potential to better serve customers in the New York, New Jersey and Philadelphia metro areas.

Benefits that would accrue to customers through the breadth of offerings available from the combined entity, including the continuation of community outreach.

The convenience and reassurance of choice that retention of the Pathmark banner would provide.

Anticipated annual integration synergies of approximately \$150 million

within two years following the closing of the merger. In this regard, A&P expects the transaction to generate \$150 million of annual pretax cost savings within two years, over half of which are expected to be realized within six months, from reduced administrative expenses, including the consolidation of the combined companies headquarters and the integration of Pathmark stores with A&P s existing, state of the art information technology systems. The remainder of the synergies are expected to be achieved through reductions in costs of goods sold and are expected to be achieved within 18 to 24 months from the date of closing and are the result of larger scale in purchasing, sharing of best

practices within  
merchandising,  
merging of the  
A&P and  
Pathmark  
private label  
brands, and  
logistical cost  
savings as a  
result of the  
combined  
companies.

Efficiencies  
and  
customer  
knowledge  
benefits  
that the  
integration  
of A&P's  
modern  
systems  
technology  
platform  
will  
provide.

The regulatory risks  
relating to the merger,  
which the A&P board  
of directors analyzed  
with the assistance of  
its outside antitrust  
advisors.

The opinion dated as  
of March 4, 2007  
delivered to A&P by  
JPMorgan to the  
effect that, as of that  
date, and subject to  
and based on the  
qualifications,  
assumptions and  
limitations set forth in  
the opinion, the  
merger consideration  
was fair, from a  
financial point of  
view, to A&P, as  
described under  
Opinion of A&P's  
Financial Advisor.

The judgment, advice  
and analyses of A&P's  
senior management,  
including their  
favorable  
recommendation of  
the merger and their  
analyses of conditions

in the supermarket industry and the strategic options available to A&P.

Tengelmann's commitment to vote in favor of the merger after independently evaluating the merger's benefits and risks.

The fact that, because the exchange ratio under the merger agreement is fixed (i.e., will not be adjusted for fluctuations in the market price of A&P common stock or Pathmark common stock), the per share value of the merger consideration to be paid to Pathmark stockholders on completion of the merger could be significantly more or less than its implied value immediately prior to the announcement of the merger agreement.

The terms and conditions of A&P's debt financing commitment letters and the level of effort that A&P must use under the merger agreement to obtain the proceeds of the financing on the terms and conditions described in the commitment letters.

The terms and conditions of the merger agreement, the stockholder agreements and the voting agreements, including the form and amount of the consideration and the representations, warranties, covenants, conditions to closing and termination rights contained in those agreements.

That the Tengelmann Stockholder Agreement (as defined below) was negotiated by independent directors not affiliated with Tengelmann with the assistance of legal counsel and financial advisors.

The matters discussed under Risk Factors in this joint proxy statement/prospectus.

The A&P board of directors considered all of the foregoing factors as a whole and, on balance, concluded that they supported a favorable determination to authorize the merger agreement and declare its advisability.

The foregoing discussion of the information and factors considered by the A&P board of directors is not exhaustive, but A&P believes it includes all the material factors considered by the A&P board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the A&P board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative or specific weight or values to any of these factors. In addition, individual directors may have given different weights to different factors.

## Opinion of Pathmark's Financial Advisor

Pathmark retained Citigroup as its financial advisor in connection with the merger. Pursuant to Citigroup's engagement letter with Pathmark, dated February 6, 2007, Citigroup rendered its oral opinion on March 4, 2007, confirmed in writing on March 4, 2007, to the Pathmark board of directors to the effect that, as of the date of its written opinion and based upon and subject to the considerations and limitations set forth in its written opinion, its work described below and other factors it deemed relevant, the merger consideration was fair, from a financial point of view, to the holders of Pathmark common stock (other than Yucaipa Companies and the Yucaipa Investors and their affiliates, which we refer to collectively as the *Yucaipa Group* ).

**The full text of Citigroup's written opinion dated March 4, 2007, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is included as Annex H to this proxy statement/prospectus and is incorporated herein by reference. Citigroup's opinion was limited solely to the fairness of the merger consideration from a financial point of view as of the date of the opinion. Neither Citigroup's opinion nor the related analyses constituted a recommendation of the proposed merger to the Pathmark board of directors. Citigroup makes no recommendation to any stockholder regarding how such stockholder should vote or act with respect to the merger or any other matter described herein. Citigroup was not requested to consider, and its opinion does not address, the relative merits of the merger compared to any alternative business strategies that might exist for A&P or Pathmark or the effect of any other transaction in which A&P or Pathmark might engage. This summary of Citigroup's opinion is qualified in its entirety by reference to the full text of the opinion. Stockholders are urged to read Citigroup's opinion carefully and in its entirety.**

In arriving at its opinion, Citigroup:

reviewed a  
draft, dated  
March 4, 2007,  
of the merger  
agreement;

held  
discussions  
with certain  
senior officers,  
directors and  
other  
representatives  
and advisors of  
Pathmark and  
certain senior  
officers and  
other  
representatives  
and advisors of  
A&P  
concerning the  
businesses,  
operations and  
prospects of



Pathmark and  
A&P;

examined  
certain publicly  
available  
business and  
financial  
information  
relating to  
Pathmark and  
A&P;

examined  
certain  
financial  
forecasts and  
other  
information  
and data  
relating to  
Pathmark and  
A&P, including  
projections for  
the fiscal years  
2006 through  
2011, which  
were provided  
to or discussed  
with Citigroup  
by the  
management of  
each of  
Pathmark and  
A&P, including  
information  
relating to the  
potential  
strategic  
implications  
and operational  
benefits  
(including the  
amount, timing  
and  
achievability  
thereof)  
anticipated by  
the  
management of  
each of

Pathmark and  
A&P to result  
from the  
merger;

reviewed the  
financial terms  
of the merger  
as set forth in  
the merger  
agreement in  
relation to,  
among other  
things: current  
and historical  
market prices  
of Pathmark  
common stock  
and A&P  
common stock;  
the historical  
and projected  
earnings and  
other operating  
data of  
Pathmark and  
A&P; and the  
capitalization  
and financial  
condition of  
Pathmark and  
A&P;

considered, to  
the extent  
publicly  
available, the  
financial terms  
of certain other  
transactions  
that Citigroup  
considered  
relevant in  
evaluating the  
merger and  
analyzed  
certain  
financial, stock  
market and  
other publicly  
available

information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Pathmark and A&P;

evaluated certain potential pro forma financial effects of the merger on A&P; and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as it deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without assuming any responsibility for independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citigroup (including, without limitation, the projections referred to above) and upon the assurances of the

management of each of Pathmark and A&P that they were not aware of any relevant information that has been omitted or that remains undisclosed to Citigroup. With respect to financial forecasts (including, without limitation, the projections referred to above) and other information and data relating to Pathmark or A&P provided to or otherwise reviewed by or discussed with Citigroup, Citigroup was advised by the respective management of each of Pathmark and A&P that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of each of Pathmark and A&P as to the future financial performance of Pathmark and A&P, the potential strategic implications and operational benefits anticipated to result from the merger, and the other matters covered thereby Citigroup assumed, with the Pathmark board of directors' consent, that the financial results (including the potential strategic implications and operational benefits anticipated to result from the merger) reflected in such forecasts and other information and data will be realized in the amounts and at the times projected.

Citigroup assumed, with the consent of the Pathmark board of directors, that the merger will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Pathmark, A&P or the contemplated benefits of the merger. Representatives of Pathmark advised Citigroup, and Citigroup further assumed, that the final terms of the merger agreement will not vary materially from those set forth in the draft of the merger agreement dated March 4, 2007 reviewed by Citigroup. Citigroup did not express any opinion as to what the value of the A&P common stock actually will be when issued pursuant to the merger or the price at which the A&P common stock will trade at any time. Citigroup did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Pathmark or A&P, nor did Citigroup make any physical inspection of the properties or assets of Pathmark or A&P.

Citigroup was not requested to, and it did not, solicit third party indications of interest in the possible acquisition of all or part of Pathmark, nor was Citigroup requested to consider, and Citigroup's opinion does not address, the relative merits of the merger as compared to any alternative business strategies that might exist for Pathmark or the effect of any other transaction in which Pathmark might engage. Further, Citigroup expressed no view as to, and its opinion does not address, the relative impact on the holders of Pathmark common stock of any payments (other than the payment of the merger consideration in respect of shares of Pathmark common stock) to be made by Pathmark or A&P in connection with the merger to, or any arrangements entered into by Pathmark or A&P in connection with the merger with, the Yucaipa Group or any affiliate of the Yucaipa Group (other than Pathmark), including the Yucaipa Warrant Agreement and the Yucaipa Stockholder Agreement. Citigroup's opinion was necessarily based upon information available to it, and financial, stock market and other conditions and circumstances existing, as of the date of the opinion. Except as described above, Pathmark imposed no other instructions or limitations on Citigroup with respect to the investigations made or procedures followed by Citigroup in rendering its opinion.

A description of the material financial analyses performed by Citigroup in connection with the preparation of its fairness opinion is set forth below. The following summary does not, however, purport to be a complete description of all the financial analyses performed by Citigroup in connection with its fairness opinion. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is not necessarily susceptible to partial analysis or summary description. In arriving at its fairness determination, Citigroup considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Citigroup made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. Accordingly, Citigroup believes that the analyses and factors described below must be considered as a whole and that selecting portions of such analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the

narrative description of its analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Citigroup made numerous assumptions with respect to industry performance, regulatory, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Pathmark and A&P. No company, business or transaction used in Citigroup's analyses as a comparison is identical or directly comparable to Pathmark or A&P, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading, or other values of the companies, business segments or transactions analyzed.

Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. The analyses do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Pathmark, A&P, Citigroup, their respective affiliates or any other person assumes responsibility if future results are materially different from those forecast.

The order of the analyses described does not represent relative importance or weight given to those analyses by Citigroup. Some of the summaries of the financial analyses include information presented in tabular format. To the extent the following quantitative information reflects market data, except as otherwise indicated, Citigroup based this information on market data existing on or before March 2, 2007, the last trading day before public announcement of the proposed merger. Accordingly, this information does not necessarily reflect current or future market conditions.

The merger consideration was determined by arms-length negotiations between Pathmark and A&P, in consultation with their respective financial advisors and other representatives, and was not established by such financial advisors.

The following is a summary of the material financial analyses presented to the Pathmark board of directors in connection with Citigroup's opinion. **Citigroup believes that the analyses and factors described below must be considered as a whole and that selecting portions of such analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of its analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.**

#### *Transaction Overview*

Citigroup reviewed with the Pathmark board of directors the basic terms of the merger, including the following:

consideration  
per share of  
Pathmark  
common stock  
to consist of  
\$9.00 in cash  
and 0.12963  
shares of A&P  
common  
stock;

implied value  
for the merger

consideration  
of \$13.00 per  
share of  
Pathmark  
common stock  
(based on the  
closing price  
of A&P  
common stock  
of \$30.86 on  
March 2,  
2007),  
representing  
total equity  
value of \$742  
million; and

pro forma  
percentage  
ownership by  
current  
Pathmark  
stockholders  
of  
approximately  
14% of the  
combined  
company,  
based on basic  
shares  
outstanding;  
and  
approximately  
16% on a fully  
diluted basis  
per the  
treasury stock  
method.

Citigroup calculated for the Pathmark board of directors the implied percentage premium of the merger consideration over the closing price of Pathmark common stock on March 2, 2007, the last trading day prior to announcement of the merger, the highest and lowest closing stock prices of the Pathmark common stock for the 52-week period ended on February 16, 2007 (which based on the increase in trading price from February 16, 2007 to February 20, 2007, Citigroup believed to be the last trading day unaffected by rumors of the proposed merger) and the average closing stock prices for the Pathmark common stock for the 30-day, 60-day, and 90-day periods ended on March 2, 2007.

These calculations were based on historical information and public filings. The results of this analysis are set forth in the following table:

**Premium to:\***

Share Price at March 2, 2007	15.6 %
52 Week High	11.8
52 Week Low	71.1
30 Day Average	12.5
60 Day Average	14.8
90 Day Average	15.8

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\* Based on merger consideration valued at \$13.00 per share, consisting of \$9.00 in cash and \$4.00 in shares of A&P common stock to be paid to Pathmark stockholders, based upon an exchange ratio of 0.12963 and A&P's closing stock price of \$30.86 on March 2, 2007.

*Selected Companies Analysis Pathmark*

Citigroup reviewed certain financial and stock market information and forecasted financial information of Pathmark and of seven selected publicly held companies that operate in the multiregional and regional supermarket retail sectors. The selected companies considered by Citigroup were:

**Multiregional****Regional**

The Kroger Co.	Ruddick Corporation
Safeway Inc.	A&P
SUPERVALU Inc.	Weis Markets, Inc.
	Ingles Markets, Incorporated

For Pathmark and each of the selected companies for which information was available, Citigroup derived multiples of firm value to, among other things, estimated calendar year 2007 earnings before interest, taxes, depreciation and amortization, excluding extraordinary items and stock-based compensation expense, where applicable ( *Adjusted EBITDA* ). Citigroup calculated firm value as (a) equity value, based on the per share closing stock price on March 2, 2007 and fully diluted shares outstanding less any option proceeds, as reflected in each company's latest publicly available information, assuming exercise of all in-the-money options, warrants and convertible securities outstanding, less the proceeds from such exercise, plus (b) non-convertible indebtedness including capital leases, plus (c) minority interests, plus (d) non-convertible preferred stock, plus (e) all out-of-the-money convertible securities, plus (f) closed store reserves, minus (g) investments in unconsolidated affiliates (which, in the case of A&P, included A&P's interest in Metro at market value as of March 2, 2007) and cash and cash equivalents. Historical financial information for the selected companies was obtained from public filings. Estimated financial information for the selected companies and Pathmark, including estimated calendar year 2007 Adjusted EBITDA, was based on publicly available FirstCall consensus estimates, which are calculated as the mean of equity research analysts' respective financial projections for each company, as maintained in the Thomson First Call database.

<b>Company</b>	<b>Firm Value* / CY2007E Adjusted EBITDA</b>
The Kroger Co.	7.1 x
Safeway Inc	7.6
SUPERVALU Inc	6.7
Ruddick Corporation	6.0
A&P	9.0
Weis Markets, Inc	8.0
Ingles Markets, Incorporated	NA **
Pathmark	8.6

\* Firm values for Pathmark and the selected companies were based on closing stock prices on March 2,



2007  
(which, in  
the case of  
Pathmark,  
was  
\$11.25).

\*\* CY2007E  
EBITDA  
estimates  
not  
available.

Based upon the selected companies analysis and taking into consideration other performance metrics, Citigroup selected a reference range of 6.5x to 8.0x, and applied this range to Pathmark's estimated fiscal year ( *FY* ) 2007 Adjusted EBITDA of \$152.8 million contained in the financial projections prepared by Pathmark's management, more fully described in *The Merger Pathmark Projected Financial Information*. Using Pathmark's estimated balance sheet data as of January 28, 2007 as provided by Pathmark's management, this analysis indicated the following approximate implied per share equity value reference range for Pathmark, as compared to the per share merger consideration:

<b>Implied Per Share Equity Value Reference Range for Pathmark</b>	<b>Per Share Merger Consideration*</b>
\$7.37 \$11.10	\$13.00

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\* Based on merger consideration valued at \$13.00 per share, consisting of \$9.00 in cash and \$4.00 in shares of A&P common stock to be paid to Pathmark stockholders, based upon an exchange ratio of 0.12963 and A&P's closing stock price of \$30.86 on March 2, 2007.

*Selected Companies Analysis A&P*

Citigroup reviewed certain financial and stock market information and forecasted financial information of A&P and of seven selected publicly held companies that operate in the multiregional and regional supermarket retail sectors. The selected companies considered by Citigroup were:

<b>Multiregional</b>	<b>Regional</b>
The Kroger Co.	Ruddick Corporation

Safeway Inc. Pathmark  
 SUPERVALU Inc. Weis Markets, Inc.  
 Ingles Markets, Incorporated

For A&P and each of the selected companies for which information was available, Citigroup derived multiples of firm value to, among other things, estimated calendar year 2007 Adjusted EBITDA. Historical financial information for the selected companies was obtained from public filings. Estimated financial information for the selected companies and A&P, including estimated calendar year 2007 Adjusted EBITDA, was based on publicly available FirstCall consensus estimates, which are calculated as the mean of equity research analysts' respective financial projections for each company, as maintained in the Thomson First Call database.

<b>Company</b>	<b>Firm Value* / CY2007E Adjusted EBITDA</b>
The Kroger Co.	7.1 x
Safeway Inc	7.6
SUPERVALU Inc	6.7
Ruddick Corporation	6.0
Pathmark	8.6
Weis Markets, Inc	8.0
Ingles Markets, Incorporated	NA **
A&P	9.0

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\* Firm values for A&P and the selected companies were based on closing stock prices on March 2, 2007 (which, in the case of A&P, was \$30.86).

\*\* CY2007E EBITDA estimates not

available.

Based upon the selected companies analysis and taking into consideration other performance metrics, Citigroup selected a reference range of 6.5x to 8.0x, and applied this range to A&P's estimated FY 2007 Adjusted EBITDA contained in the financial projections prepared by A&P's management. Using A&P's estimated balance sheet data as of February 28, 2007 as provided by

A&P's management, this analysis indicated the following approximate implied per share equity value reference range for A&P, as compared to the closing price of the A&P common stock on March 2, 2007, the last trading day prior to announcement of the merger:

<b>Implied Per Share Equity Value Reference Range for A&amp;P</b>	<b>A&amp;P Stock Closing Price on March 2, 2007</b>
\$24.55 \$31.06	\$30.86

*Precedent Transactions Analysis Pathmark*

Citigroup reviewed publicly available information for nine selected merger and acquisition transactions in the supermarket retail sector publicly announced from November 2000 through April 2006. For each selected precedent transaction, Citigroup derived the ratio of firm value of the acquired company, based on the consideration paid in the transaction, to Adjusted EBITDA for the last twelve-month period prior to the announcement of the transaction for which financial results were available ( *LTM EBITDA* ):

<b>Date Announced</b>	<b>Acquiror</b>	<b>Target</b>	<b>Consideration Mix</b>	<b>Firm Value / LTM EBITDA</b>
April 20, 2006	Sun Capital Partners, Inc.	Marsh Supermarkets, Inc.	Cash	8.5 x
January 23, 2006	SUPERVALU Inc.	Albertson's, Inc.	Cash/Stock	7.0 (1)
July 19, 2005	Metro Inc.	A&P Canada Co.	Cash/Stock	9.0
December 23, 2004	Lone Star Funds.	Bruno's Supermarkets Inc./ BI-LO, LLC	Cash	4.3 (2)
March 26, 2004	Albertson's, Inc.	JS USA Holdings, Inc. (Shaw's and Star Markets)	Cash	7.0
April 9, 2002	Willis Stein & Partners	Roundy's Inc.	Cash	6.2
September 4, 2001	Ahold USA, Inc.	Bruno's Supermarkets, Inc.	Cash	8.3
December 5, 2000	Safeway Inc.	Genuardi's Family Markets, Inc.	Cash	7.0 (3)
November 16, 2000	Delhaize Group	Delhaize America Inc.	Stock	7.2 (4)

(1) Albertson's was acquired by SUPERVALU Inc., CVS Corporation and an investor

group led by Cerberus Capital Management. LTM EBITDA was calculated for the portion of the business acquired by SUPERVALU Inc., which consisted of core grocery store assets.

(2) LTM EBITDA multiple based on FY 2004 (ended January 2, 2005).

(3) Value of Genuardi s is net of a \$100 million cash tax benefit received by Safeway as a result of deductible goodwill amortization created through the asset sale of Genuardi s.

(4) LTM EBITDA is pro forma for a full year of operations of Hannaford Brothers, which was acquired by Delhaize America in July of 2000.

With respect to the financial information, including LTM EBITDA, for the companies involved in the selected precedent transactions, Citigroup relied on information available in public documents, company press releases and information published by Wall Street research. For purposes of this analysis, firm value is based on the aggregate

consideration paid for the enterprise value of the target in the respective transaction and is otherwise calculated on the same basis as described above with respect to firm value under Selected Companies Analysis Pathmark, using latest balance sheet data as of the announcement date of the respective transaction, where available.

Based upon the precedent transactions analysis and taking into consideration other performance metrics, Citigroup selected a reference range of 7.0x to 9.0x LTM EBITDA and applied this range to Pathmark estimated FY 2006 Adjusted EBITDA of \$131.4 million contained in the financial projections prepared by Pathmark's management, more fully described in The Merger Pathmark Projected Financial Information. Using Pathmark's estimated balance sheet data as of January 28, 2007 as provided by Pathmark's management, this analysis indicated the following approximate implied per share equity value reference range for Pathmark, as compared to the per share merger consideration:

<b>Implied Per Share Equity Value Reference Range for Pathmark</b>	<b>Implied Per Share Merger Consideration*</b>
\$6.00 \$10.51	\$13.00

\* Based on merger consideration valued at \$13.00 per share, consisting of \$9.00 in cash and \$4.00 in shares of A&P common stock to be paid to Pathmark stockholders, based upon an exchange ratio of 0.12963 and A&P's closing stock price of \$30.86 on March 2, 2007.

#### *Discounted Cash Flow Analysis Pathmark*

Citigroup performed a discounted cash flow analysis of Pathmark to calculate the estimated present value, as of the projected closing date of July 31, 2007, of the standalone unlevered, after-tax free cash flows that Pathmark could generate over Pathmark's projected fiscal years 2007 through 2011, based on the projections prepared by Pathmark management. For purposes of the discounted cash flow analysis, Citigroup assumed a closing date of July 31, 2007 and therefore calculated this estimated present value as of that date. Because Citigroup performed its discounted cash flow analysis with respect to Pathmark on a standalone basis and without giving effect to the merger, this discounted cash flow analysis excludes the value of any synergies that might result from the merger with A&P.

Citigroup calculated a range of estimated terminal values by applying a range of Adjusted EBITDA terminal value multiples of 6.4x to 8.0x to Pathmark's estimated FY 2011 Adjusted EBITDA contained in the financial projections prepared by Pathmark's management, more fully described in The Merger Pathmark Projected Financial Information. The unlevered, after-tax free cash flows and terminal values were discounted to present value as of July 31, 2007 using discount rates ranging from 8.0% to 9.0%. Citigroup assumed this range of discount rates after taking into consideration, among other things, (i) Citigroup's analysis of Pathmark's weighted average cost of capital (which resulted in a range of discount rates from 7.2% to 8.5%), (ii) market data for similar companies, including A&P, identified in the section entitled Selected Companies Analysis Pathmark, and (iii) Pathmark's cost of debt as of March 2, 2007. The terminal value multiples were determined based upon an assessment of public company trading values. Using Pathmark's estimated balance sheet data as of July 31, 2007 as provided by Pathmark's management, this



analysis indicated the following approximate implied per share equity value reference range for Pathmark, as compared to the implied per share merger consideration:

<b>Implied Per Share Equity Value Reference Range for Pathmark</b>	<b>Implied Per Share Merger Consideration*</b>
\$10.91 \$15.77	\$13.00

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\* Based on merger consideration valued at \$13.00 per share, consisting of \$9.00 in cash and \$4.00 in shares of A&P common stock to be paid to Pathmark stockholders, based upon an exchange ratio of 0.12963 and A&P's closing stock price of \$30.86 on March 2, 2007.

*Discounted Cash Flow Analysis A&P*

Citigroup performed a discounted cash flow analysis of A&P to calculate the estimated present value, as of February 28, 2007, of the standalone unlevered, after-tax free cash flows that A&P could generate over A&P's projected fiscal years 2007 through 2011, based on the projections prepared by A&P's management. Because Citigroup performed its discounted cash flow analysis with respect to A&P on a standalone basis and without giving effect to the merger, this discounted cash flow analysis excludes the value of any synergies that might result from the merger with Pathmark.

Citigroup calculated a range of estimated terminal values by applying a range of Adjusted EBITDA terminal value multiples of 6.4x to 8.0x to A&P's estimated FY 2011 Adjusted EBITDA. The unlevered, after-tax free cash flows and terminal values were discounted to present value as of February 28, 2007 using discount rates ranging from 8.0% to 9.0%, which range was derived taking into consideration, among other things, the estimated weighted average cost of capital for A&P using selected public company market data and A&P's cost of debt as of March 2, 2007. The



terminal value multiples were determined based upon an assessment of public company trading values. Citigroup used A&P's estimated balance sheet data as of February 28, 2007 (and not a date based on a projected closing date) because the implied per share merger consideration of \$13.00 used by Citigroup for its analysis was based on the exchange ratio of 0.12963 and A&P's closing stock price of \$30.86 on March 2, 2007. Using A&P's estimated balance sheet data as of February 28, 2007 as provided by A&P's management, this analysis indicated the following approximate implied per share equity value reference range for A&P, as compared to the closing price of the A&P common stock on March 2, 2007, the last trading day prior to announcement of the merger:

<b>Implied Per Share Equity Value Reference Range for A&amp;P</b>	<b>A&amp;P Stock Closing Price on March 2, 2007</b>
\$33.72 \$44.46	\$30.86

*Other Factors*

In rendering its opinion, Citigroup also reviewed and considered other factors, including:

the  
relationship  
between  
movements  
in Pathmark  
common  
stock,  
movements  
in A&P  
common  
stock, and  
movements  
in the  
common  
stock of  
selected  
companies  
in the  
supermarket  
retail sector;  
and

publicly  
available  
research  
analysts  
reports for  
Pathmark  
and A&P.

*Miscellaneous*

Citigroup acted as financial advisor to Pathmark in connection with the transaction. Pursuant to Citigroup's engagement letter, Pathmark agreed to pay Citigroup the following fees for its services: (i) \$1,000,000 upon delivery

of Citigroup's opinion; and (ii) an additional \$2,500,000, payable upon either the consummation of the merger with A&P or the consummation of an alternative transaction which allows Pathmark to terminate a definitive agreement for the merger with A&P and accept such alternative transaction. In the event that Citigroup's engagement letter is terminated or expires prior to the consummation of the merger, the foregoing fees will be payable by Pathmark if the merger with A&P or any such alternative transaction is consummated, or if a definitive agreement is entered into with respect to any of the foregoing, at any time prior to the twelve-month anniversary of the termination or expiration of Citigroup's engagement letter. In addition, the Citigroup engagement letter provided that, solely to the extent that Pathmark had elected to pursue an alternative transaction following the public announcement of discussions involving the merger with A&P but prior to the execution of the merger agreement, Pathmark would have been required to pay the same fees outlined above to Citigroup with respect to such an alternative transaction as Citigroup would have received in connection with the merger.

Pathmark also has agreed, subject to certain limitations, to reimburse Citigroup for its reasonable expenses incurred in connection with its engagement, including the reasonable fees and expenses of its counsel. Pathmark has also agreed to indemnify Citigroup and related persons against certain liabilities and expenses relating to or arising out of its engagement, including liabilities under the federal securities laws.

Citigroup and its affiliates in the past have provided, and in the future may provide, services unrelated to the merger to Pathmark, A&P, the Yucaipa Group, and their respective affiliates. Citigroup and such affiliates have received, and in the future may receive, customary compensation for such services. In 2006 and 2007, these services included rendering services to Wild Oats, Inc. and Source Interlink Companies, Inc., two entities in which members of the Yucaipa Group have made significant investments and which could be deemed to be affiliates of the Yucaipa Group. Citigroup rendered a fairness opinion to Wild Oats in connection with its pending tender offer and merger with Whole Foods Market. Citigroup received a fee of \$1,500,000 upon delivery of the fairness opinion and expects to receive additional compensation that is contingent upon the outcome of the Wild Oats transaction. In addition, Citigroup provided to Source Interlink a substantial portion of an aggregate of \$1.645 billion of senior secured and senior subordinated debt financing in connection with Source Interlink's completed acquisition of PRIMEDIA Inc.'s Enthusiast Media division.

Citigroup received customary financing fees in connection with the transaction. In the ordinary course of business, Citigroup and its affiliates may actively trade or hold the securities of Pathmark and A&P for their own account or for the account of their customers and, accordingly, may at any time hold a long or short position in such securities. In that regard, as of March 2, 2007, the last trading day prior to the date Citigroup rendered its opinion to the board of directors of Pathmark, Citigroup and its affiliates held shares of Pathmark common stock representing approximately 1.0% of the outstanding Pathmark common stock (based on basic shares outstanding) and shares of A&P common stock representing approximately 0.7% of the outstanding A&P common stock (based on basic shares outstanding). In addition, Citigroup and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Pathmark, A&P and their respective affiliates, including providing financing and related services to A&P following the transaction.

Citigroup is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Pathmark selected Citigroup to act as its financial advisor on the basis of Citigroup's international reputation and Citigroup's familiarity with Pathmark.

As described above, Citigroup's opinion to Pathmark's board of directors was one of many factors taken into consideration by Pathmark's board of directors in making its determination to approve the merger and the merger agreement and the merger consideration was determined by arms'-length negotiations between Pathmark and A&P, in consultation with their respective financial advisors and other representatives, and was not established by such financial advisors.

### **Pathmark Projected Financial Information**

Pathmark does not as a matter of course make public projections as to future sales, earnings, or other results. However, Pathmark's senior management prepared certain financial forecasts for internal use and for the use of Pathmark's board of directors and its advisors, and A&P and its advisors, in connection with the potential transaction. The accompanying financial forecasts were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of Pathmark's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of Pathmark. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the prospective financial information.

Neither Pathmark's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The accompanying financial forecasts were made available to the board of directors of Pathmark, to A&P and to Citigroup. We have included a subset of these projections to give stockholders of Pathmark access to certain nonpublic information considered by the Pathmark board of directors for purposes of considering and evaluating the merger. The inclusion of this information should not be regarded as an indication that the Pathmark board of directors, Citigroup, A&P or any other person considered, or now considers, it to be predictive of actual future results.

Pathmark advised the recipients of the projections that its internal financial forecasts, upon which the projections were based, are subjective in many respects. The projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions, as well as matters

specific to Pathmark's business, all of which are difficult to predict and beyond Pathmark's or A&P's control. As a result, there can be no

assurance that the projected results will be realized or that actual results will not be significantly higher or lower than projected.

Since the projections cover multiple years, such information by its nature becomes less predictive with each successive year. The financial projections were prepared solely for internal use and for the use of Pathmark's board of directors and its advisors and A&P and its advisors in connection with the potential transaction and not with a view toward public disclosure or toward complying with generally accepted accounting principles (GAAP), the published guidelines of the SEC regarding projections. The projections included in this proxy statement/prospectus were prepared by, and are the responsibility of, Pathmark's management. Furthermore, the financial projections do not take into account any circumstances or events occurring after the date the projections were prepared and, in particular, do not take into account or give effect to the merger or the proposed financing of the merger.

Pathmark has made publicly available its actual results of operations for fiscal year 2006 and the first fiscal quarter of 2007. You should review Pathmark's Annual Report on Form 10-K, as amended, for the fiscal year ended February 3, 2007 and Quarterly Report on Form 10-Q for the quarter ended May 5, 2007, to obtain this information. See [Where You Can Find More Information](#). Readers of this proxy statement/prospectus are cautioned not to place undue reliance on the projections set forth below. No one has made or makes any representation to any stockholder regarding the information included in these projections.

For the foregoing reasons, as well as the bases and assumptions on which the financial projections were compiled, the inclusion of specific portions of the financial projections in this proxy statement/prospectus should not be regarded as an indication that such projections will be predictive of actual future events, and they should not be relied on as such. Except as required by applicable securities laws, Pathmark and A&P do not intend to update or otherwise revise the financial projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the projections are shown to be in error.

#### *Management Projections Pathmark*

(Dollars in millions)	Fiscal Years					
	2006	2007	2008	2009	2010	2011
Total Revenues	\$ 3,982.2	\$ 4,022.7	\$ 4,102.5	\$ 4,270.6	\$ 4,484.6	\$ 4,793.3
Gross Profit	\$ 1,162.0	\$ 1,200.9	\$ 1,239.7	\$ 1,306.1	\$ 1,386.2	\$ 1,496.0
Adjusted EBITDA(1)(2)	\$ 131.4	\$ 152.8	\$ 175.5	\$ 202.8	\$ 229.4	\$ 258.5
EBIT	\$ 35.9	\$ 45.6	\$ 68.4	\$ 85.9	\$ 107.2	\$ 128.5
Stock Compensation Expense	\$ 9.6	\$ 11.0	\$ 10.4	\$ 10.5	\$ 10.5	\$ 10.5
Depreciation and Amortization	\$ 92.2	\$ 91.2	\$ 96.6	\$ 106.4	\$ 111.8	\$ 119.4
Capital Expenditures	\$ 70.4	\$ 90.0	\$ 167.2	\$ 160.6	\$ 145.0	\$ 145.0

- (1) Represents earnings before interest, taxes, depreciation, amortization, excluding extraordinary items and stock compensation expense. Adjusted EBITDA and EBIT are non-U.S. GAAP financial measures.
- (2) 2006 Adjusted EBITDA excludes fifty-third week earnings. 2007 Adjusted EBITDA was determined without giving effect to labor buyout charges.

*Key Assumptions for the Projected Financial Information for Years 2006 Through 2011*

The Total Revenues, Gross Profit, Adjusted EBITDA, EBIT and Capital Expenditures as reflected in the above table were prepared taking into account the following assumptions:

Revenue growth, through increased offerings and additional breadth of products, particularly as a result of new store



openings and  
the  
renovation of  
existing  
stores, at a  
compounded  
annual rate of  
under 4.0%  
from 2006  
through  
2011.

Gross profit margin of 29.2% in 2006, increasing to 31.2% in 2011, driven by an improvement in the sales mix with a greater emphasis on perishable departments and an emphasis on improving Private Label penetration.

Selling, general and administrative costs, as a percentage of sales, decreasing from 25.9% in 2006 to 25.8% in 2011 as a result of continued emphasis on labor management, online auctions and higher revenues driving improved economies of scale.

Effective aggregate tax rate averaging 40%.

Capital expenditures, the majority of

which relate to new stores and the renovation of existing stores, as well as additional expenditures on management information systems, in each case to help drive revenue and profits, with the expectation that depreciation and amortization will trend in line with capital expenditures.

The Yucaipa Investors Series A Warrants are exercised in 2008 resulting in proceeds of approximately \$85 million.

#### **Opinion of A&P's Financial Advisor**

Pursuant to an engagement letter dated November 16, 2006, A&P retained JPMorgan as its financial advisor in connection with the proposed merger.

At the meeting of the A&P board of directors on March 4, 2007, JPMorgan rendered its oral opinion, subsequently confirmed in writing, to the A&P board of directors that, as of such date and based upon and subject to the factors and assumptions set forth in its opinion, the consideration to be paid by A&P in the proposed merger was fair, from a financial point of view, to A&P. No limitations were imposed by the A&P board of directors upon JPMorgan with respect to the investigations made or procedures followed by it in rendering its opinions.

The full text of the written opinion of JPMorgan, dated March 4, 2007, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limits on the review undertaken, is attached as Annex G to this joint proxy statement/prospectus and is incorporated herein by reference. A&P stockholders are urged to read the opinion in its entirety. JPMorgan's written opinion is addressed to the A&P board of directors, is directed only to the consideration to be paid in the merger and does not constitute a recommendation to any stockholder of A&P as to how such stockholder should vote with respect to the proposed merger or any other matter, including the share

issuance. The summary of the opinion of JPMorgan set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinions, JPMorgan, among other things:

reviewed the  
merger  
agreement  
and certain  
other related  
agreements  
dated March  
4, 2007;

reviewed  
certain  
publicly  
available  
business and  
financial  
information  
concerning  
A&P and  
Pathmark and  
the industries  
in which they  
operate;

compared the  
proposed  
financial  
terms of the  
merger with  
the publicly  
available  
financial  
terms of  
certain  
transactions  
involving  
companies  
JPMorgan  
deemed  
relevant and  
the  
consideration  
received for  
such  
companies;

compared the financial and operating performance of A&P and Pathmark with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of A&P common stock and Pathmark common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the managements of A&P and Pathmark relating to their respective businesses, as well as the estimated amount and timing of cost

savings and  
related  
expenses and  
synergies  
expected to  
result from  
the merger  
(the  
*Synergies* );

reviewed  
certain  
forecasts  
prepared by  
management  
of A&P  
giving effect  
to certain  
divestitures  
contemplated  
by the merger  
agreement  
(the  
*Divestiture  
Case* ); and

performed  
such other  
financial  
studies and  
analyses  
and  
considered  
such other  
information  
as  
JPMorgan  
deemed  
appropriate  
for the  
purposes of  
its opinion.

JPMorgan also held discussions with certain members of the management of A&P and Pathmark with respect to certain aspects of the merger, and the past and current business operations of A&P and Pathmark, the financial condition and future prospects and operations of A&P and Pathmark, the effects of the merger on the financial condition and future prospects of A&P and Pathmark, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JPMorgan by A&P and Pathmark or otherwise reviewed by or for JPMorgan. JPMorgan did not conduct or was not provided with any valuation or appraisal of any assets or liabilities, nor did JPMorgan evaluate the solvency of A&P or Pathmark under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, JPMorgan was not provided with any forecasts or other nonpublic information with respect to Metro, a Canadian supermarket chain in which A&P owns an equity stake, and at A&P's direction valued such equity stake on an after-tax basis based upon publicly available information and assuming a liquid market for Metro's shares. In relying on analyses and forecasts provided to it, including the Synergies, JPMorgan assumed that such analyses and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of A&P and Pathmark to which such analyses or forecasts related. JPMorgan expressed no view as to such analyses or forecasts, including the Synergies and the Divestiture Case, or the assumptions on which they were based. JPMorgan also assumed that the representations and warranties made by A&P and Pathmark in the merger agreement and the related agreements were and will be true in all ways material to its analysis. JPMorgan also assumed that the merger will have the tax consequences described in discussions with, and materials furnished to JPMorgan by, representatives of A&P, and that the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement. JPMorgan relied as to all legal matters relevant to the rendering of its opinion upon the advice of counsel. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the closing of the merger would be obtained without any adverse effect on A&P or Pathmark or on the contemplated benefits of the merger, except as provided in JPMorgan's analysis of the Divestiture Case.

The projections furnished to JPMorgan for A&P and Pathmark were prepared by the respective management of each company. Neither A&P nor Pathmark publicly discloses internal management projections of the type provided to JPMorgan in connection with JPMorgan's analysis of the merger, and such projections were not prepared with a view toward public disclosure. These projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly

from those set forth in such projections.

JPMorgan's opinion and financial analyses were only one of the many factors considered by A&P in its evaluation of the proposed merger and should not be viewed as determinative of the views of the A&P board of directors or its management with respect to the proposed merger or the merger consideration. The consideration was determined through negotiation between A&P and Pathmark.

JPMorgan's opinion is based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of such opinion. Subsequent developments may affect JPMorgan's opinion, and JPMorgan does not have any obligation to update, revise or reaffirm such opinion. JPMorgan's opinion is limited to the fairness, from a financial point of view, of the consideration to be paid by A&P in the proposed merger, and JPMorgan has expressed no opinion as to the fairness of the merger to, or any consideration of, the holders of any other class of securities, creditors or other constituencies of A&P or the underlying decision by A&P to engage in



the merger. JPMorgan expressed no opinion as to the price at which shares of A&P common stock or Pathmark common stock will trade at any future time, whether before or after the closing of the merger.

In accordance with customary investment banking practice, JPMorgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses utilized by JPMorgan in connection with providing its opinion.

### *Pathmark Analyses*

*Public Trading Multiples.* Using publicly available information, JPMorgan compared selected financial data of Pathmark with similar data for selected publicly traded companies engaged in businesses which JPMorgan judged to be analogous to Pathmark. The companies selected by JPMorgan were A&P and the following seven publicly held companies, five of which are large food retailers with national scale and two of which are regionally focused food retailers operating primarily in the northeastern United States.

<b>Large/National Food Retailers</b>	<b>Regional Northeastern Food Retailers</b>
Koninklijke Ahold N.V. (Royal Ahold)	Weis Markets, Inc.
Safeway, Inc.	Ruddick Corporation
Delhaize Group	
Kroger Co.	
Supervalu, Inc.	

JPMorgan compared, among other things, implied firm values on March 2, 2007 as multiples of estimated earnings before interest, taxes, depreciation and amortization, commonly and hereinafter referred to as EBITDA, for fiscal year 2007. JPMorgan then applied ranges of selected multiples of estimated EBITDA for fiscal year 2007 derived from the selected companies to corresponding financial data of Pathmark on a stand-alone basis and on a pro forma basis taking into account the Synergies and the Divestiture Case and other effects that were anticipated by management of A&P to potentially result from the merger. Financial data for the selected companies were based on equity research estimates produced by reputable brokerages, public filings and other publicly available information. Financial data for Pathmark is based on internal estimates of Pathmark's management and internal estimates of A&P management. This analysis resulted in the following implied valuation range of equity values for Pathmark common stock, as compared to the value as of March 2, 2007, of the consideration to be paid:

	<b>Implied Valuation Reference Range</b>	<b>Implied Offer Value</b>
Pathmark Management Case	\$ 8.75 \$14.40	\$ 13.00
A&P Base Case	\$ 7.60 \$12.90	\$ 13.00
A&P Base Case with the Divestiture Case	\$ 4.80 \$ 8.80	\$ 13.00

*Selected Transaction Analysis.* Using publicly available information, JPMorgan examined selected food retail industry transactions with respect to transaction values as multiples of the targets' sales and EBITDA for the twelve months prior to announcement of the transactions. Specifically, JPMorgan reviewed the following transactions:

<b>Acquiror</b>	<b>Target</b>
Delhaize Group	Hannaford Bros. Co.
The Kroger Co.	Fred Meyers Stores, Inc.
Safeway, Inc.	Dominick's Finer Foods, LLC
Safeway, Inc.	Randall's Food & Drugs, LP
Koninklijke Ahold N.V. (Royal Ahold)	Giant Food Inc.
Albertsons, Inc.	American Stores Co.
Whole Foods Market, Inc.	Wild Oats Markets, Inc.
Albertsons, Inc.	Shaw's Supermarkets, Inc.
Supervalu, Inc.	Albertsons, Inc. (Core Assets)
Safeway, Inc.	Genuardi's Family Markets, Inc.
J Sainsbury plc	Star Markets
Metro, Inc.	A&P Canada
Loblaw Companies Ltd.	Provigo, Inc.
Koninklijke Ahold N.V. (Royal Ahold)	Bruno's Supermarkets, Inc.
Sobeys, Inc.	Oshawa Group

JPMorgan applied a range of multiples derived from such analysis to Pathmark's EBITDA and sales for the twelve months prior to the announcement of the transactions, both with and without the Divestiture Case, and arrived at the following implied valuation range of equity values for Pathmark common stock, as compared to the value as of March 2, 2007, of the consideration to be paid:

	<b>Implied Valuation Reference Range</b>	<b>Implied Offer Value</b>
EBITDA	\$ 8.60 \$12.95	\$ 13.00
Sales	\$ 15.60 \$19.40	\$ 13.00
EBITDA with the Divestiture Case	\$ 4.45 \$ 7.45	\$ 13.00
Sales with the Divestiture Case	\$ 12.25 \$15.30	\$ 13.00

Note: EBITDA and sales are for the twelve months prior to the announcement of the transaction.

*Discounted Cash Flow Analysis.* JPMorgan conducted a discounted cash flow analysis for the purpose of determining the fully diluted equity value per share for Pathmark common stock. JPMorgan calculated the unlevered free cash flows that Pathmark is expected to generate during fiscal years 2007 through 2011 based upon financial projections prepared by the management of Pathmark through the fiscal year 2009 and upon A&P's projections adjusted to reflect more moderate growth in revenues and lower operating margins during the full five-year period. JPMorgan also calculated a range of terminal asset values of Pathmark at the end of the five-year period ending 2011 by applying a perpetual growth rate ranging from 2.5% to 3.5% of the unlevered free cash flow of Pathmark during the final year of the five-year period. The unlevered free cash flows and the range of terminal asset values were then discounted to

present values using a range of discount rates from 8.0% to 8.5%, which were chosen by JPMorgan based upon an analysis of the weighted average cost of capital of Pathmark. The present value of the unlevered free cash flows and the range of terminal asset values were then adjusted for Pathmark's fiscal year 2006 third quarter excess cash, option exercise proceeds and total debt. Taking into account the Synergies and the Divestiture Case and other effects that were anticipated by management of A&P to potentially

result from the merger, the discounted cash flow analysis indicated the following range of equity values for Pathmark common stock:

	<b>Implied Valuation Reference Range</b>		<b>Implied Offer Value</b>
Pathmark Management Case	\$ 7.30	\$14.15	\$ 13.00
Pathmark Management Case with 100% Synergies	\$ 19.75	\$27.25	\$ 13.00
A&P Base Case	\$ 9.20	\$15.65	\$ 13.00
A&P Base Case with 100% Synergies	\$ 21.65	\$28.75	\$ 13.00
A&P Base Case with the Divestiture Case	\$ 7.00	\$12.40	\$ 13.00
A&P Base Case with the Divestiture Case and 100% Synergies	\$ 19.45	\$25.50	\$ 13.00

#### ***A&P Analyses***

*Public Trading Multiples.* Using publicly available information, JPMorgan compared selected financial data of A&P with similar data for selected publicly traded companies engaged in businesses which JPMorgan judged to be analogous to A&P. The companies selected by JPMorgan were Pathmark and the following seven publicly held companies, five of which are large food retailers with national scale and two of which are regionally focused food retailers operating primarily in the northeastern United States.

<b>Large/National Food Retailers</b>	<b>Regional Northeastern Food Retailers</b>
Koninklijke Ahold N.V. (Royal Ahold)	Weis Markets, Inc.
Safeway, Inc.	Ruddick Corporation
Delhaize Group	
Kroger Co.	
Supervalu, Inc.	

JPMorgan compared, among other things, implied firm values on March 2, 2007 as multiples of estimated EBITDA, for fiscal year 2007. JPMorgan then applied ranges of selected multiples of estimated EBITDA for fiscal year 2007 derived from the selected companies to corresponding financial data of A&P on a stand-alone basis. Financial data for the selected companies were based on equity research estimates produced by reputable brokerages, public filings and other publicly available information. Financial data for A&P are based on internal estimates of A&P management.

As of the date of JPMorgan's opinion, A&P owned 15.7% of Metro, a Canadian food retailer to whom it sold its Canadian operations in July 2005. JPMorgan independently valued A&P's stake in Metro on an after-tax basis based upon publicly available information, assuming a liquid market for the shares of Metro and using relevant multiples of firm value to EBITDA and stock price to earnings per share, both for fiscal year 2007. Adding the value of the Metro equity investment to the implied value of A&P common stock resulted in the following implied valuation range of equity values for A&P common stock, as compared to the reference price for the transaction exchange ratio:

	<b>Implied Valuation Reference Range</b>	<b>Reference Price for Exchange Ratio</b>
A&P Management Case	\$ 16.35 \$25.25	

Value of Stake in Metro, Inc.      \$      8.35 \$10.70

Total Value of A&P                      \$    24.70 \$35.95      \$    27.00

*Discounted Cash Flow Analysis.* JPMorgan conducted a discounted cash flow analysis for the purpose of determining the fully diluted equity value per share for A&P common stock. JPMorgan calculated the unlevered free cash flows that A&P is expected to generate during the five-year period ending 2011 based upon financial projections prepared by the management of A&P. JPMorgan also calculated a range of terminal asset values of A&P at the end of the five-year period ending 2011 by applying a perpetual growth rate ranging from 2.5% to 3.5% of the unlevered free cash flow of A&P during the final year of the five-year period. The unlevered free cash flows and the range of terminal asset values were then discounted to present values using a range of discount rates from 8.0% to 8.5%, which were chosen by JPMorgan based upon an analysis of the weighted

average cost of capital of A&P. The present value of the unlevered free cash flows and the range of terminal asset values were then adjusted for A&P's fiscal year 2006 third quarter excess cash, option exercise proceeds and total debt.

A&P currently has \$479 million of net operating losses ( *NOLs* ), commonly and hereinafter referred to as NOLs, which can be used, subject to certain limitations, to offset future tax payments. JPMorgan independently conducted a discounted cash flow valuation of A&P's NOLs assuming their unlevered impact to cash flows over a ten-year period. This incremental impact on unlevered cash flow was then discounted to present value using a range of discount rates from 5.0% to 5.5%, which were chosen by JPMorgan based upon the risk associated with U.S. government-issued notes with ten-year maturities.

Combining the stand alone A&P discounted cash flow value, the value of A&P's Metro stake (as described above) and the discounted cash flow value of A&P's NOLs indicated the following range of equity values for Pathmark common stock, as compared to the reference price for the transaction exchange ratio:

	<b>Implied Valuation Reference Range</b>	<b>Reference Price for Exchange Ratio</b>
A&P Management Case	\$ 10.75 \$19.95	
Value of Stake in Metro	\$ 8.35 \$10.70	
Value of A&P NOLs	\$ 2.80 \$ 2.90	
Total Value of A&P	\$ 21.90 \$33.55	\$ 27.00

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by JPMorgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, JPMorgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, JPMorgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by JPMorgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, JPMorgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. None of the selected companies reviewed as described in the above summary is identical to A&P, and none of the selected transactions reviewed was identical to the merger. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of JPMorgan's analysis, may be considered similar to those of A&P. The transactions selected were similarly chosen because their participants, size and other factors, for purposes of JPMorgan's analysis, may be considered similar to those of the merger. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to A&P and the transactions compared to the merger.

As a part of its investment banking business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and

valuations for estate, corporate and other purposes. JPMorgan was selected to deliver an opinion to the A&P board of directors with respect to the merger on the basis of such experience and its familiarity with A&P.

For services rendered in connection with the merger and the delivery of its opinion, A&P has agreed to pay JPMorgan fees of up to \$12 million in the aggregate, of which \$2 million was paid

upon the execution and delivery of a definitive merger agreement and the remaining amount of up to \$10 million is contingent upon the completion of the merger. In addition, A&P has agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees of counsel, and indemnify JPMorgan against certain liabilities arising out of its engagement. Moreover, in the event Pathmark pays a break-up fee to A&P, A&P shall pay to JPMorgan a certain percentage of such fee.

JPMorgan has provided financial advisory, commercial or investment banking services to A&P in the past, including advising on A&P's July 2005 sale of its Canadian assets. In addition, JPMorgan and its affiliates maintain banking and other business relationships with A&P and its affiliates, for which it receives customary fees. In the ordinary course of their businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of A&P or Pathmark for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

### **Interests of Certain Persons in the Merger**

In considering the recommendations of the A&P and Pathmark boards of directors, you should be aware that the directors and executive officers of Pathmark and A&P, the Yucaipa Investors, Pathmark's largest stockholder, and Tengelmann, A&P's largest stockholder, each have interests in the merger agreement and the merger that are different from, or in addition to, your interests as a stockholder. These interests may present them with actual or potential conflicts of interest, and, to the extent material, are described below. The A&P and Pathmark boards of directors were aware of these potential conflicts of interest and considered them, among other matters, in reaching their decision to unanimously authorize and declare the advisability of the merger agreement and the transactions contemplated by the merger agreement.

### ***Treatment of Stock Options and Other Equity-Based Awards Held by Pathmark's Executive Officers and Directors***

*Stock Options.* As of the record date, there were approximately 4,690,882 shares of Pathmark common stock issuable pursuant to stock options granted under Pathmark's equity incentive plans to certain Pathmark executive officers and directors. Under the terms of the merger agreement, each outstanding stock option held by any person, including Pathmark executive officers and directors, will become fully vested and exercisable no later than fifteen days prior to the closing of the merger and, at the effective time of the merger, will be treated as described in the following paragraphs.

Each such outstanding stock option (other than any Pre-Amendment Option described in the following paragraph) will be canceled in exchange for the right to receive a lump sum cash payment to be paid (net of applicable withholding taxes) as soon as practicable after the completion of the merger. The lump sum cash payment will equal the product of (i) the number of shares of Pathmark common stock that such executive officer or director could have purchased had he or she exercised such stock option in full immediately prior to the closing, and (ii) the excess, if any, of (x) the per share closing price of Pathmark common stock, as such price is quoted on the last trading day immediately prior to the closing date (the *Pathmark Closing Price*), over (y) the exercise price per share of such stock option. Any such stock options (other than Pre-Amendment Options) with exercise prices equal to or greater than the Pathmark Closing Price will be canceled for no consideration.

With respect to each such outstanding stock option that was granted under Pathmark's equity incentive plans prior to June 9, 2005 (a *Pre-Amendment Option*), Pathmark is obligated to use its commercially reasonable efforts to obtain any consents required to cancel any Pre-Amendment Options with an exercise price less than the Pathmark Closing Price, in exchange for a lump sum cash payment as provided in the preceding paragraph. Pathmark has already obtained such consents from John Derderian, Robert Joyce, Marc Strassler and Frank Vitano.



Any Pre-Amendment Option that is not canceled and cashed out, or that has an exercise price equal to or greater than the Pathmark Closing Price, will be converted into a stock option (a

*Rollover Option* ) to purchase, on the same terms and conditions as were applicable under such Pre-Amendment Option, taking into account vesting and other changes resulting from the merger, (i) the number of shares of A&P common stock equal to the product of (a) the number of shares of Pathmark common stock such executive officer or director could have purchased had he or she exercised such Pre-Amendment Option in full immediately prior to the closing, and (b) the Option Exchange Ratio (as defined in the following sentence), at (ii) a price per share equal to (a) the exercise price per share of such Pre-Amendment Option, divided by (b) the Option Exchange Ratio. The *Option Exchange Ratio* means (i) the Pathmark Closing Price, divided by (ii) \$27.00.

The following table identifies, for certain Pathmark directors and executive officers, as of October 5, 2007 (the most recent practicable date prior to filing), with respect to stock options that will be cashed out in connection with the merger (excluding stock options set forth in Note 1 to such table that would be Rollover Options assuming the Pathmark Closing Price were determined as of October 5, 2007): the aggregate number of shares of Pathmark common stock subject to outstanding vested and unvested stock options, the number of shares of Pathmark common stock subject to such unvested stock options that will become fully vested in connection with the merger, the weighted average exercise price and the value of such unvested stock options, and the weighted average exercise price and the value of all such stock options. The information in the table assumes that all such stock options remain outstanding as of the closing of the merger.

Name	Aggregate Shares Subject to Options(1)	Number of Shares Underlying Unvested Options	Weighted Average Exercise Price of Unvested Options	Value of Unvested Options(2)	Weighted Average Exercise Price of Vested and Unvested Options	Value of Vested and Unvested Options(3)
Joseph Adelhardt(6)	20,000		\$	\$	\$ 11.70	\$ 26,000
Kevin Darrington(4)	42,000	31,500	\$ 10.35	\$ 83,475	\$ 10.35	\$ 111,300
John Derderian(4)	151,900	58,300	\$ 9.80	\$ 186,560	\$ 8.32	\$ 710,892
Michael R. Duckworth(5)			\$	\$	\$	\$
Daniel H. Fitzgerald(5)	20,000	6,666	\$ 9.67	\$ 22,198	\$ 8.36	\$ 92,800
Harvey Gutman(7)	23,000		\$	\$	\$ 11.30	\$ 39,100
Bruce Hartman(5)	25,000	6,666	\$ 9.67	\$ 22,198	\$ 7.92	\$ 127,000
David R. Jessick(5)	21,667	14,444	\$ 10.09	\$ 42,032	\$ 10.10	\$ 62,834
Robert J. Joyce(4)	99,900	58,300	\$ 9.80	\$ 186,560	\$ 8.82	\$ 417,582
Larry R. Katzen(5)	20,000	13,333	\$ 10.07	\$ 39,066	\$ 10.07	\$ 58,600
Mark C. Kramer(4)	101,900	58,300	\$ 9.80	\$ 186,560	\$ 10.12	\$ 293,472

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Kenneth Martindale(4)	500,000	333,333	\$ 9.99	\$ 1,003,332	\$ 9.99	\$ 1,505,000
Gregory Mays(5)	22,500	14,999	\$ 10.11	\$ 43,347	\$ 10.11	\$ 65,025
Sarah E. Nash(5)	20,000	13,333	\$ 10.07	\$ 39,066	\$ 10.07	\$ 58,600
John T. Standley(4)(5)	1,500,000	500,000	\$ 10.39	\$ 1,305,000	\$ 10.39	\$ 3,915,000
Marc Strassler(4)	62,500	30,375	\$ 9.81	\$ 96,896	\$ 10.37	\$ 164,375
Ira Tochner(5)			\$	\$	\$	\$
Frank G. Vitrano(4)	1,025,000	412,500	\$ 10.08	\$ 1,204,500	\$ 7.99	\$ 5,135,250
John J. Zillmer(5)	20,000	13,333	\$ 10.07	\$ 39,066	\$ 10.07	\$ 58,600

- (1) Does not include the following stock options held by Pathmark directors and executive officers, which would be Rollover Options, assuming the Pathmark Closing Price were determined as of October 5, 2007: 350,000 (Frank G. Vitrano), 325,000 (Robert J. Joyce),

76,000  
(John  
Derderian),  
76,000  
(Marc  
Strassler),  
74,215  
(Harvey  
Gutman),  
62,300  
(Joseph  
Adelhardt),  
52,000  
(Mark C.  
Kramer),  
and 5,000  
(Daniel H.  
Fitzgerald).

- (2) Illustrates the economic value of all unvested stock options that will become fully vested and cashed out in connection with the merger. Calculated for each individual by multiplying the number of shares underlying unvested stock options by the difference, if any, between \$13.00, which was the per

share  
closing  
price of  
Pathmark  
common  
stock on  
October 5,  
2007, and  
the  
weighted  
average  
exercise  
price of the  
unvested  
stock  
options.

- (3) Illustrates the economic value of all stock options to be canceled and cashed out in connection with the merger. Calculated for each individual by multiplying the aggregate number of shares subject to stock options by the difference between the per share closing price of Pathmark common stock and the weighted average exercise price of all such stock options.
- (4) Executive officer.
- (5) Director.
- (6) Former executive officer; retired in

July 2006.  
Currently a  
consultant  
to  
Pathmark.

- (7) Former  
executive  
officer;  
retired in  
April 2006.  
Currently a  
consultant  
to  
Pathmark.

*Restricted Stock Units.* As of the record date, there were approximately 89,893 restricted stock units granted under Pathmark's equity incentive plans to the Pathmark executive officers and directors listed below. Under the terms of the merger agreement, upon the closing of the merger, each award of restricted stock units held by an executive officer or director will become fully vested and converted into the right to receive a single lump sum cash payment (net of applicable withholding taxes) equal to the product of (i) the number of shares of Pathmark common stock applicable to such award immediately prior to the closing, and (ii) the Pathmark Closing Price.

The following table identifies, for certain Pathmark directors and executive officers, as of October 5, 2007, the aggregate number of shares of common stock subject to outstanding unvested restricted stock units, and the value of the unvested restricted stock units. The information in the table assumes that all such unvested restricted stock units remain outstanding as of the closing date of the merger.

<b>Name</b>	<b>Aggregate Number of Shares Underlying Restricted Stock Units</b>	<b>Value of Restricted Stock Units(1)</b>
Joseph Adelhardt(4)		\$
Kevin Darrington(2)	6,750	\$ 87,750
John Derderian(2)	8,375	\$ 108,875
Michael R. Duckworth(3)		\$
Daniel H. Fitzgerald(3)	6,924	\$ 90,012
Bruce Hartman(3)	6,924	\$ 90,012
Harvey Gutman(5)		\$
David R. Jessick(3)	6,924	\$ 90,012
Robert J. Joyce(2)	8,375	\$ 108,875
Larry R. Katzen(3)	6,924	\$ 90,012
Mark C. Kramer(2)	8,375	\$ 108,875
Kenneth Martindale(2)		\$
Gregory Mays(3)	6,924	\$ 90,012

Sarah E. Nash(3)	6,924	\$	90,012
John T. Standley(2)(3)		\$	
Marc Strassler(2)	7,050	\$	91,650
Ira Tochner(3)		\$	
Frank G. Vitrano(2)	2,500	\$	32,500
John J. Zillmer(3)	6,924	\$	90,012

(1) Illustrates the economic value of all restricted stock units that will become fully vested and cashed out in connection with the merger. Calculated for each individual by multiplying the aggregate number of shares underlying unvested restricted stock units by \$13.00, which was the per share closing price of Pathmark common stock on October 5, 2007.

(2) Executive officer.



- (3) Director.
- (4) Former executive officer; retired in July 2006. Currently a consultant to Pathmark.
- (5) Former executive officer; retired in April 2006. Currently a consultant to Pathmark.

*Restricted Stock.* As of the record date, Messrs. Standley, Vitrano and Martindale were the only executive officers or directors to hold shares of Pathmark common stock subject to transfer restrictions and/or forfeiture under Pathmark's equity incentive plans, and they held approximately 358,046 such shares.

Under the terms of the merger agreement, upon the closing of the merger, each outstanding award of restricted stock held by an executive officer or director will become fully vested and converted into the right to receive a single lump sum cash payment (net of applicable withholding taxes) equal to the product of (i) the number of shares of Pathmark common stock subject to such award immediately prior to the closing of the merger, and (ii) the Pathmark Closing Price.

The following table identifies, for Messrs. Standley, Vitrano and Martindale, the aggregate number of unvested restricted shares of Pathmark common stock outstanding as of October 5, 2007, and the value of such unvested restricted shares that will become fully vested in connection with the merger. The information in the table assumes that all such unvested restricted shares remain outstanding as of the closing of the merger.

<b>Name</b>	<b>Aggregate Number of Restricted Shares</b>	<b>Value of Restricted Shares(1)</b>
John T. Standley	166,600	\$ 2,165,800
Frank G. Vitrano	41,500	\$ 539,500
Kenneth Martindale	83,330	\$ 1,083,290

- (1) Illustrates the economic value of all restricted shares that will become fully vested and cashed out in connection with the merger. Calculated for each individual by multiplying the aggregate number of restricted

shares by  
\$13.00,  
which was  
the per  
share  
closing  
price of  
Pathmark  
common  
stock on  
October 5,  
2007.

***Employment Agreements***

*John T. Standley Employment Agreement.* Pursuant to the terms of an employment agreement entered into between Pathmark and Mr. Standley as of August 23, 2005, the merger will constitute a change of control, and therefore, immediately prior to the merger:

the stock  
options and  
restricted stock  
granted to Mr.  
Standley on  
August 23,  
2005, will vest  
in full (to the  
extent not  
otherwise  
vested in  
connection  
with the  
merger); and

Mr. Standley's  
deferred  
compensation  
account  
balance will  
vest and  
become  
nonforfeitable.

In addition, Mr. Standley is entitled to receive certain severance payments and benefits in the event that his employment is terminated by Pathmark without cause (as such term is defined in his employment agreement) or by his resignation for good reason (which term is defined to include a material and adverse change in Mr. Standley's duties or reporting responsibilities, or the failure to re-elect Mr. Standley as the Chief Executive Officer and most senior officer of Pathmark or any successor thereto or if the company becomes a subsidiary of another public company, such public company), including the following:

payment of his  
salary and  
target bonus  
for a period of  
two years  
following the  
date of such  
termination,  
subject to  
acceleration in  
certain  
circumstances  
in connection  
with a change  
of control ;

continued  
health and  
insurance  
coverage for a  
period of one  
year following  
the date of  
such  
termination;  
and

payment of a  
tax gross-up  
payment, in  
the event that  
he becomes  
subject to the  
excise tax on  
golden  
parachute  
payments  
under the  
Internal  
Revenue  
Code.

*Frank G. Vitrano Employment Agreement.* Pursuant to the terms of an employment agreement entered into between Pathmark and Mr. Vitrano, as amended in December 2005, the merger will constitute a change of control, and therefore, the stock options and restricted stock granted to him

on December 22, 2005, will vest in full immediately prior to the merger (to the extent not otherwise vested in connection with the merger).

In addition, Mr. Vitrano is entitled to receive certain severance payments and benefits in the event that his employment is terminated by Pathmark without cause (as such term is defined in his employment agreement) or by his resignation for good reason (which term is defined to include a material adverse reduction or diminution in Mr. Vitrano's title, duties, positions or responsibilities), including the following:

payment of his  
salary and  
target bonus  
for a period of  
two years  
following the  
date of such  
termination,  
subject to  
acceleration in  
certain  
circumstances  
in connection  
with a change  
of control ; and

continued  
health and  
insurance  
coverage for a  
period of two  
years  
following the  
date of such  
termination.

*Kenneth Martindale Employment Agreement.* Pursuant to the terms of an employment agreements entered into between Pathmark and Mr. Martindale, as of December 14, 2005, the merger will constitute a change of control, and therefore, the stock options and restricted stock granted to him on January 1, 2006 will vest in full immediately prior to the merger (to the extent not otherwise vested in connection with the merger). In addition, Mr. Martindale will be entitled to receive certain severance payments and benefits in the event that his employment is terminated by Pathmark without cause (as such term is defined in his employment agreement), due to Pathmark's nonrenewal of the term within six months prior to the merger, or by Mr. Martindale's resignation for good reason (which term is defined to include a material and adverse change in Mr. Martindale's duties or reporting responsibilities or the failure to reelect Mr. Martindale as the Co-President and Chief Marketing and Merchandising Officer of Pathmark or any successor thereto or if the company becomes a subsidiary of another public company, such public company), including the following:

payment of his  
salary and  
target bonus  
for a period of

two years following the date of such termination, subject to acceleration in certain circumstances in connection with a change of control ; and

continued health and insurance coverage for a period of one year following the date of such termination.

*Other Employment Agreements.* Pathmark has entered into employment agreements with each of Messrs. Darrington, Derderian, Joyce, Kramer and Strassler, pursuant to which the executive will be entitled to receive certain severance payments and benefits in the event that his employment is terminated by Pathmark without cause (as such term is defined in the applicable employment agreement) or by his resignation for good reason (which term is generally defined to include a material and adverse reduction or diminution in the executive's title, duties, positions or responsibilities), including the following:

payment of his base salary for a period of up to two years following the date of such termination;

in the case of Mr. Darrington, payment of a supplemental amount of \$45,000; and

continued health and insurance coverage for a period of up

to two years  
following the  
date of such  
termination.

Assuming that the employment of each current executive officer of Pathmark is terminated by Pathmark without cause (as defined in the applicable employment agreement) or by such executive officer's resignation for good reason (as defined in the applicable employment agreement) immediately following the merger, the approximate amount of cash severance benefits that would be payable is:

<b>Name</b>	<b>Potential Cash Severance Benefits(1)</b>
John T. Standley	\$ 3,726,000
Frank G. Vitrano	2,335,374
Kenneth Martindale	2,070,000
Robert J. Joyce	661,448
John Derderian	517,500
Mark C. Kramer	538,200
Kevin Darrington	541,800
Marc Strassler	554,454

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- (1) The amounts in the table are based on estimated base salaries as of October 5, 2007 and, if applicable, bonuses that will be paid to each executive officer in 2007. The amounts in the table exclude any prorated bonus awards for the year in which such termination occurs and the value of any continued health and insurance



coverage or other noncash severance benefits. The amounts in the table also exclude the value of any unexercised stock options and/or unvested restricted stock units or restricted stock that would accelerate and vest in the event of a termination of employment in connection with the merger. Such amounts are separately disclosed in the tables under

Treatment of Stock Options and Other Equity-Based Awards Held by Pathmark's Executive Officers and Directors.

***Transaction Bonus Agreements***

In connection with the execution of the merger agreement, Pathmark entered into transaction bonus agreements with each of Messrs. Darrington, Derderian, Joyce and Strassler. Pursuant to the transaction bonus agreements, each executive will be entitled to receive a bonus payment of \$50,000 (\$100,000, in the case of Mr. Strassler) in the event that (i) such executive remains continuously employed with Pathmark through the closing of the merger, (ii) such executive terminates his employment before the closing of the merger for good reason (as defined in his employment agreement), or (iii) Pathmark terminates such executive's employment before the closing of the merger for any reason that does not constitute cause (as defined in his employment agreement).

***Retention Pay Plan***

In connection with the execution of the merger agreement, the Pathmark board of directors adopted a Retention Pay Plan for certain office associates, including assistant vice presidents, vice presidents and senior vice presidents, who were employed by Pathmark as of the date on which the merger agreement was signed. As senior vice president, Messrs. Darrington and Strassler are participants in the plan. Pursuant to the plan and subject to certain conditions, including each participant's continued employment with Pathmark up to the payment dates specified below, Messrs. Darrington and Strassler will be entitled to receive a retention payment equal to 20% of their respective base salary rate as each is in effect immediately prior to the closing date of the merger or February 23, 2007 (whichever is higher), paid in three installments on each of (i) September 4, 2007, subject to his continued employment up to such date; (ii) the date two weeks after the closing date of the merger, subject to his continued employment up to the closing date of the merger; and (iii) the date that is the earlier of 180 days after the closing date of the merger or a termination event (defined in the plan as the termination of the participant's employment by Pathmark for any reason (other than cause, as such term is defined in the plan), death or disability of the participant or resignation by the participant for good reason (as such term is defined in the plan), in each case on or after the closing date of the merger). Messrs. Darrington and Strassler are the only Pathmark executive officers participating in the Retention Pay Plan.

### ***Continued Benefits***

To the extent that any of Pathmark's executive officers remains employed by the surviving corporation following completion of the merger, each will be entitled to receive certain compensation and benefits following the merger. For a period of twelve months and one day following completion of the merger, A&P has agreed to provide the continuing employees of Pathmark with employee benefits that, in the aggregate, are no less favorable than the employee benefits received by those employees prior to the merger.

Subject to certain exceptions, A&P will, or will cause the surviving corporation in the merger to, (i) give continuing Pathmark employees full credit for purposes of eligibility to participate, vesting and benefit accrual (other than with respect to any defined benefit plan) under the employee benefit plans or arrangements maintained by A&P, the surviving corporation in the merger, or their subsidiaries, to the same extent recognized by Pathmark or its subsidiaries under the corresponding Pathmark benefit plans immediately prior to the closing of the merger; and (ii) with respect to certain welfare benefit plans maintained for the benefit of continuing Pathmark employees following the closing of the merger, (x) waive eligibility requirements or preexisting condition limitations, to the same extent waived under comparable Pathmark plans immediately prior to the closing of the merger, and (y) recognize deductible amounts paid by such continuing Pathmark employees under the corresponding Pathmark benefit plans immediately prior to the closing of the merger.

### ***Indemnification Arrangements and Directors and Officers Liability Insurance Policy***

A&P has agreed to maintain in effect after completion of the merger, for the benefit of current and former Pathmark directors and officers, the existing rights to indemnification and limitations on liability for acts or omissions occurring prior to the closing of the merger under the Pathmark certificate of incorporation, bylaws or disclosed agreements of Pathmark. In addition, the merger agreement provides that A&P will maintain, at its expense, directors' and officers' liability insurance policies with a claims period of at least six years from the effective time of the merger. For further details on these indemnification and insurance arrangements, please see Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Covenants and Agreements Indemnification; Insurance; Certain Benefit Plans.

### ***Guarantee of Supplemental Retirement and Excess Benefit Arrangements***

Under the terms of the merger agreement, A&P has agreed to pay, or cause to be paid, all of the benefits to which any employee (or his or her beneficiaries), including Pathmark's executive officers, is entitled under the terms of certain supplemental retirement and excess benefit plans, as in effect immediately prior to the closing of the merger.

### ***Election of Pathmark Director to A&P Board of Directors***

Upon the closing of the merger, Gregory Mays, a Pathmark director, will be elected to the A&P board of directors by the existing A&P directors, in accordance with the bylaws of A&P and Maryland law, unless at the closing he serves as an employee or director of a competitor, in which case another director from the Pathmark board deemed independent by the A&P independent directors will be elected to the A&P board.

### ***Compensatory Arrangements for A&P's Executive Officers and Directors***

On June 15, 2007 the Human Resources & Compensation Committee and the Governance Committee (together, the *A&P Committees*) of the A&P board of directors, under the authority of A&P's 1998 Long Term Incentive and Share Award Plan, approved the following actions in anticipation of the completion of the merger.

*Turnaround Incentive Compensation Program.* The A&P Committees decided to recognize A&P's performance to date under A&P's 2005 Turnaround Incentive Compensation Program (the *TIP*). Specifically, subject to the closing of

the merger, the applicable performance criteria will

have been met with respect to two-thirds of the Restricted Share Units ( *RSUs* ) that were granted to each participant under the TIP. Upon the closing of the merger, 50% of such RSUs will vest on the first day of A&P's 2008 Fiscal Year and the remaining 50% of such RSUs will vest on the first day of A&P's 2009 Fiscal Year. Vesting of the RSUs is further subject to all other terms, conditions, limitations, restrictions and eligibility requirements under the TIP.

The following table identifies, for certain A&P directors and executive officers, as of October 1, 2007, the aggregate number of shares of common stock subject to outstanding restricted stock units that were granted to each participant under the TIP, and the value of such restricted stock units. The information in the table assumes that all such unvested restricted stock units remain outstanding as of the closing date of the merger.

<b>Name</b>	<b>Aggregate Number of Shares Underlying Restricted Stock Units</b>	<b>Value of Restricted Stock Units(1)</b>
Christian W.E. Haub(3)	221,221	\$ 6,778,211
Eric Claus(2)	189,618	5,809,896
Brenda Galgano(2)	88,489	2,711,303
Paul Wiseman(2)	88,489	2,711,303
Allan Richards(2)	88,489	2,711,303

- (1) Illustrates the economic value of all outstanding restricted stock units that were granted to each participant under the TIP. Calculated for each individual by multiplying the aggregate number of shares underlying

outstanding  
restricted  
stock units  
that were  
granted to  
each  
participant  
under the  
TIP by  
\$30.64,  
which was  
the per  
share  
closing  
price of  
A&P  
common  
stock on  
October 1,  
2007.

(2) Executive  
officer.

(3) Director.

*A&P 2006 Long-Term Incentive Program.* The A&P Committees decided to recognize A&P's performance to date under A&P's 2006 Long-Term Incentive Program (the *LTIP*). Specifically, subject to the closing of the merger, the applicable performance criteria will have been met with respect to 125% of one-third of the RSUs that were granted to each participant under the LTIP. Upon the closing of the merger, such RSUs will vest on or around May of 2009 in accordance with and subject to all other terms, conditions, limitations, restrictions and eligibility requirements under the LTIP.

The following table identifies, for certain A&P directors and executive officers, as of October 1, 2007, the aggregate number of shares of common stock subject to outstanding restricted stock units that were granted to each participant under the LTIP, and the value of such restricted stock units. The information in the table assumes that all such unvested restricted stock units remain outstanding as of the closing date of the merger.

<b>Name</b>	<b>Aggregate Number of Shares Underlying Restricted Stock Units</b>	<b>Value of Restricted Stock Units(1)</b>
Christian W.E. Haub(3)	31,464	\$ 964,057
Eric Claus(2)	48,381	1,482,394
Brenda Galgano(2)	13,026	399,117
Paul Wiseman(2)	13,026	399,117
Allan Richards(2)	13,026	399,117

- (1) Illustrates the economic value of all outstanding restricted stock units that were granted to each participant under the LTIP. Calculated for each individual by multiplying the aggregate number of shares underlying outstanding restricted stock units that were granted to each participant under the TIP by \$30.64, which was the per share closing price of A&P common stock on October 1, 2007.
- (2) Executive officer.

(3) Director.



*Acquisition Closing and Integration Incentive Compensation Program.* The A&P Committees approved an Acquisition Closing and Integration Incentive Compensation Program (the *Integration Program* ). The Integration Program is subject to: (i) the closing of the merger; (ii) the achievement of certain merger closing performance criteria or certain merger synergy targets; (iii) the achievement of certain A&P stock price targets over a performance period comprised of the three calendar years following the closing of the merger; and (iv) other terms, conditions, limitations, restrictions and eligibility requirements similar to those in the TIP and the LTIP. Depending on actual performance as compared with the foregoing targets, each executive officer can earn up to a maximum of 200% of the RSUs awarded them under the Integration Program. Subject to the foregoing, the following grants of RSUs were made to the directors and executive officers of A&P in connection with the Integration Program.

<b>Name</b>	<b>Aggregate Number of Shares Underlying Restricted Stock Units</b>	<b>Value of Restricted Stock Units(1)</b>
Christian W.E. Haub(3)	27,927	\$ 855,683
Eric Claus(2)	27,927	855,683
Brenda Galgano(2)	21,032	644,420
Paul Wiseman(2)	17,513	536,598
Allan Richards(2)	14,042	430,247

- (1) Illustrates the economic value of all restricted stock units that may be earned under the Integration Program in connection with the merger if performance results in 100% of the restricted stock units being earned. Calculated for each individual by multiplying

the aggregate number of shares underlying restricted stock units granted under the Integration Program by \$30.64, which was the per share closing price of A&P common stock on October 1, 2007. The maximum amount that may be earned is 200% of the number of restricted stock units granted under the Integration Program, which would result in twice the value shown above based on the stock price assumption.

(2) Executive officer.

(3) Director.

***Yucaipa Fees***

It is a condition to the consummation of the merger that Pathmark or Yucaipa Companies terminate the Management Services Agreement in accordance with its terms, and upon the closing of the merger, Yucaipa Companies or Pathmark will terminate the Management Services Agreement. As a result of this termination, Yucaipa Companies will receive a termination fee of \$10 million, pursuant to the terms of the Management Services Agreement. In addition, effective January 23, 2007, Pathmark engaged Yucaipa Advisors to act as a consultant in connection with the

merger agreement in accordance with Section 5 of the Management Services Agreement. Pursuant to Yucaipa Advisors' engagement letter, Pathmark agreed to (i) reimburse Yucaipa Advisors' fees and expenses in connection with the provision of such consulting services (whether or not the merger is consummated), and (ii) pay Yucaipa Advisors a fee equal to 1.0% of the transaction value (as defined in the engagement letter), payable upon either the consummation of the merger or the consummation of an alternative transaction which allows Pathmark to terminate a definitive agreement for the merger and accept such alternative transaction, in each case, subject to certain conditions, including that, so long as the provision of Section 4.07 of the indenture relating to Pathmark's 8.75% Senior Subordinated Notes due 2012 continues to apply, no amount in excess of \$10.0 million shall be payable to Yucaipa Advisors. Subject to the foregoing, in the event that Yucaipa Advisors' engagement is terminated or expires prior to the consummation of the merger, the foregoing fees will be payable by Pathmark if the merger is consummated, or if a definitive agreement is entered into with respect to any of the foregoing, at any time prior to the eighteen-month anniversary of the termination or expiration of Yucaipa Advisors' engagement letter. In addition, Yucaipa Advisors' engagement letter provided that, solely to the extent that Pathmark had elected to pursue an alternative transaction following the public announcement of discussions

involving the merger but prior to the execution of the merger agreement, Pathmark would have been required to pay the same fees outlined above to Yucaipa Advisors with respect to such an alternative transaction as Yucaipa Advisors would have received in connection with the merger.

Pursuant to the Yucaipa Advisors engagement letter, Yucaipa Advisors provided consulting services to Pathmark. These services included assisting in evaluating, analyzing, structuring, negotiating (in its capacity as a significant stockholder) and effecting the merger; providing general financial and strategic advice; and communicating with Pathmark's management and board of directors concerning the merger.

### ***Stockholder and Warrant Agreements***

#### ***Yucaipa Stockholder Agreement***

Concurrently with the execution and delivery of the merger agreement, the Yucaipa Investors entered into the Yucaipa Stockholder Agreement with A&P (the *Yucaipa Stockholder Agreement*). The Yucaipa Stockholder Agreement provides the Yucaipa Investors with certain demand and piggyback registration rights. The Yucaipa Investors have agreed to certain restrictions on their ownership, acquisition and disposition of A&P common stock and warrants to purchase A&P common stock that they will own and may acquire after the merger. In addition, the Yucaipa Investors have agreed not to take certain actions that would interfere with the governance of A&P. For further details of the Yucaipa Stockholder Agreement, see *Adoption of the Merger Agreement (Pathmark Proposal 1) Yucaipa Stockholder Agreement*.

#### ***Tengelmann Stockholder Agreement***

Concurrently with the execution and delivery of the merger agreement, Tengelmänn entered into the Tengelmänn Stockholder Agreement with A&P. The Tengelmänn Stockholder Agreement provides Tengelmänn with certain nomination, approval, registration and other rights. In addition, Tengelmänn will be entitled to antidilution protection, access to A&P information and expense reimbursement upon the closing of the merger. A&P's bylaws will be amended as provided in Annex I to this joint proxy statement/prospectus in order to give effect to certain of these rights. For further details of the Tengelmänn Stockholder Agreement, see *Adoption of the Merger Agreement (Pathmark Proposal 1) Tengelmänn Stockholder Agreement*.

#### ***Yucaipa Warrant Agreement***

Pursuant to the existing warrant agreement, in connection with the merger agreement the Series A and Series B Warrants would have been converted into the right to receive, upon exercise, the merger consideration of \$9.00 in cash and a fixed number of shares of A&P stock. In connection with the merger agreement, the Yucaipa Investors and A&P have entered into an Amended and Restated Warrant Agreement (the *Yucaipa Warrant Agreement*), pursuant to which the Yucaipa Investors will exchange their existing Series A and Series B Warrants to purchase Pathmark common stock for Series A and Series B Warrants to purchase A&P common stock, which we refer to as *rollover warrants*. Accordingly, the Yucaipa Investors will be entitled to receive the rollover warrants upon the closing of the merger, and no part of the consideration for the Yucaipa Investors' existing warrants will consist of cash to be paid at the time of the merger. Notwithstanding that the terms of the Yucaipa Warrant Agreement require that all exercises of the rollover warrants be on a cashless basis and permit A&P to settle the in-the-money amount of the rollover warrants for cash, the rollover warrants may enable the Yucaipa Investors to participate in the future earnings and growth, as well as benefit from any appreciation in the value, of the combined company to a greater extent than the cash and shares of A&P common stock to be received by Pathmark stockholders in the merger. The A&P Series A Warrants will represent the right to purchase an aggregate of 4,657,378 shares of A&P common stock at an exercise price of \$18.36 per share, and the A&P Series B Warrants will represent the right to purchase an aggregate of 6,965,858 shares of A&P common stock at an exercise price of \$32.40 per share.



## Financing

A&P estimates that the total amount of funds necessary to pay the cash portion of the merger consideration will be approximately \$485.5 million. A&P expects that this amount will be provided through a combination of (a) \$190.0 million of net cash proceeds from the sale of shares of Metro common stock, which A&P received in connection with the August 2005 sale of its Canadian operations to Metro and (b) up to \$780.0 million in senior secured notes (or, if the offering of senior secured notes is not completed on or prior to the closing of the merger, up to \$780.0 million under a senior secured bridge credit facility). On March 13, 2007, A&P sold 6,350,000 shares of its holdings in Metro for proceeds of approximately \$203.5 million. A&P continues to hold approximately 11.7 million Metro shares. The merger is not conditioned on receipt of financing by A&P.

## Debt Financing

A&P has received a debt financing commitment letter, dated as of March 4, 2007, from Bank of America, Banc of America Bridge, BAS, LBCB, Lehman and LCPI ( the *Commitment Letter* ). In the Commitment Letter, and subject to the terms and conditions set forth therein:

Bank of  
America has  
committed to  
provide a  
\$615.0 million  
senior secured  
revolving  
credit facility,  
the ABL  
Facility, to  
finance the  
working  
capital of A&P  
and certain of  
its subsidiaries  
upon  
consummation  
of the merger;  
and

Banc of  
America  
Bridge and  
LBCB have  
severally  
committed to  
provide in the  
aggregate up to  
\$780.0 million  
of senior  
secured loans,  
the Bridge  
Facility, as

bridge or interim financing to senior secured notes (the *Senior Secured Notes* ) which may be issued by A&P and/or certain of its subsidiaries after the date of the initial funding of the Facilities for the purpose of refinancing all or a portion of the advances made under the Bridge Facility.

The commitments under the Commitment Letter will expire on the earliest of (i) March 4, 2008 (unless the closing of the Facilities has occurred prior thereto), (ii) the closing of the merger (a) in the case of the ABL Facility, without a funding under the ABL Facility, and (b) in the case of the Bridge Facility, without a funding under the Bridge Facility and (iii) the acceptance by Pathmark of an offer for all or any substantial part of the capital stock or property and assets of Pathmark other than as pursuant to the merger. The documentation governing the Facilities has not been finalized and, accordingly, the actual terms of such Facilities may differ from those described in this joint proxy statement/prospectus.

### ***Conditions Precedent***

Under the terms of the debt financing commitment letter, the availability of the ABL Facility and the Bridge Facility are subject to various conditions precedent, including, but not limited to:

Prior to and during the syndication of the Facilities and the offering of the Senior Secured Notes, there shall be no offering, placement or arrangement of any equity

securities,  
debt  
securities or  
bank  
financing by  
or on behalf  
of A&P,  
Pathmark or  
their  
respective  
affiliates that  
could  
reasonably  
be expected  
to, in the  
discretion of  
BAS and  
Lehman (the  
*Lead  
Arrangers* ),  
disrupt or  
materially  
interfere  
with the  
orderly  
syndication  
of the  
Facilities  
and the  
offering of  
the Senior  
Secured  
Notes, other  
than:

the Senior  
Secured  
Notes,

pursuant to  
Pathmark's  
existing  
credit  
facility  
(including  
the  
accordion  
feature  
thereof), or



as an  
alternative  
to the  
accordion  
feature of  
Pathmark's  
existing  
credit  
facility, up  
to \$40  
million of  
mortgage  
financing;

Since March  
4, 2007, no  
change, event  
or  
circumstance  
has occurred  
that has had a  
material  
adverse effect  
on Pathmark  
that is  
continuing,  
and no  
change, event  
or  
circumstance  
has occurred  
and is  
continuing  
that would  
reasonably be  
expected to  
have a  
material  
adverse effect  
on Pathmark;

The merger has been consummated in accordance with the merger agreement and no provision of the merger agreement has been waived, amended or otherwise modified in a manner materially adverse to the lenders without the prior written consent of the Lead Arrangers;

No agreement, order or decree has been entered into or issued requiring A&P, Pathmark or their respective subsidiaries to hold separate, divest, dispose of or sell any of their respective businesses or assets representing in excess of \$36.0 million of aggregate scheduled store level cashflow;

In the case of the Bridge Facility, all conditions to drawing on the ABL Facility

on the closing date of the financing shall have been satisfied, and in the case of the ABL Facility, A&P shall have received \$780.0 million in gross proceeds from the sale of the Senior Secured Notes or the advance of the Bridge Facility;

A&P shall use its commercially reasonable efforts to obtain a rating for the Senior Secured Notes from each of Moody's and S&P;

the Lead Arrangers and the lenders under the Facilities shall have received certain historical and pro forma financial information and projections;

A&P and Pathmark shall have made available to (i) the Lead Arrangers and the lenders under the

Facilities  
information  
memoranda to  
be used in  
connection  
with the  
syndication of  
the Facilities by  
the Lead  
Arrangers, and  
(ii) the Lead  
Arrangers and  
potential  
investors one or  
more offering  
memoranda for  
the Senior  
Secured Notes;

A&P and  
Pathmark shall  
have  
cooperated in  
marketing the  
Senior Secured  
Notes and the  
syndication of  
the ABL  
Facility and the  
Bridge Facility;

satisfactory  
definitive  
documentation  
with respect to  
the Facilities  
shall have been  
executed and  
delivered  
providing for  
valid and  
perfected  
(subject to  
certain  
exceptions)  
liens and  
security  
interests in the  
collateral  
securing the  
ABL Facility

and the Bridge  
Facility,  
respectively;  
and

the  
representations  
and warranties  
of A&P and  
Pathmark  
specified in the  
Commitment  
Letter shall be  
true and correct  
on the closing  
date of the  
Facilities.

***The ABL Facility***

*General.* The borrower under the ABL Facility will be A&P and certain of its subsidiaries. The ABL Facility will be comprised of a \$615.0 million senior secured revolving credit facility. Extensions of credit under the ABL Facility will be subject to a borrowing base calculated periodically based on specific percentages of the value of certain assets, and subject to certain reserves and other adjustments. The ABL Facility will have a sublimit of \$300.0 million for the issuance of standby and documentary letters of credit. The ABL Facility may be increased by an amount up to \$100.0 million, at the borrower's request, provided that no default or event of default exists or would arise from the increase. The ABL Facility will have a term of five years. The ABL Facility may be prepaid without penalty.

BAS has been appointed the lead arranger and book running manager. Bank of America has been appointed the administrative agent and collateral agent.

*Mandatory Prepayments.* The ABL Facility shall be subject to mandatory prepayment requirements in amounts equal to (i) the amount by which outstanding extensions of credit thereunder exceed the lesser of the borrowing base and the commitments then in effect, (ii) the net proceeds of certain asset sales and equity issuances, and (iii) the proceeds from the collateral securing the ABL Facility if the availability under the ABL Facility is below a specified amount or if there is an event of default.

*Interest Rate.* Loans under the ABL Facility are expected to bear interest, at the borrower's option, at a rate equal to the adjusted London interbank offered rate or an alternative base rate, in each case plus a specified margin.

*Fees.* The borrower shall pay (i) fees on the unutilized portion of commitments under the ABL Facility, which are expected to vary depending on utilization level, (ii) a letter of credit fee on the stated amount of issued and undrawn letters of credit and a fronting fee to the issuing lender, and (iii) other customary fees, including an underwriting fee and an agent's fee.

*Guarantors.* All obligations under the ABL Facility will be guaranteed by A&P's material domestic subsidiaries.

*Security.* The obligations of the borrower and guarantors under the ABL Facility will be secured, subject to agreed upon exceptions, by a first priority perfected security position on all real and personal property of the borrower and guarantors, including all inventory, accounts, prescription lists, owned real property, material leased real properties of A&P and Pathmark, investment property (including the capital stock of subsidiaries, subject to certain exceptions), contract rights, documents, supporting obligations, letter-of-credit rights, instruments, money, cash, cash equivalents, securities and other property of any kind, deposit accounts, credits, and balances with any financial institution where A&P and certain subsidiaries maintain deposits, commercial tort claims, all books and records and other property related to or referring to any of the foregoing, proceeds from insurance policies, and claims against third parties, but excluding A&P's class A subordinate shares of Metro. Additionally, the ABL Facility will be secured by a second priority perfected security position on all of the collateral securing the Bridge Facility on a first priority basis, other than voting stock in the A&P subsidiary that owns the Metro shares.

If certain security is not provided at the closing of the financing despite the use of commercially reasonable efforts to do so, the delivery of such security will not be a condition precedent to the availability of ABL Facility on the closing date, but instead will be required to be delivered following the closing date.

*Covenants.* The ABL Facility shall contain covenants that, among other things, and subject to exceptions, will limit or restrict the ability of the borrowers to make acquisitions, mergers, consolidations, recapitalizations, dividends, distributions and stock repurchases, to create additional indebtedness, liens and investments, to sell assets, enter into hedging agreements and sale and leaseback transactions. The ABL Facility shall also contain certain affirmative and negative covenants, including a covenant that excess availability under the ABL Facility may not fall below 10% of the borrowing base, certain reporting covenants, and upon certain events, a covenant requiring the borrower to maintain a minimum EBITDA (to be defined in the definitive documentation for the ABL Facility).

*Events of Default.* The ABL Facility is expected to provide for customary events of default, including nonpayment of principal, interest or fees, violations of covenants, material inaccuracy of representations and warranties, specified cross defaults to other material indebtedness, certain bankruptcy events, certain ERISA events, material invalidity of guarantees or security interest, material judgments or change of control (to be defined in the definitive documentation for the ABL Facility).

### ***The Bridge Facility***

*General.* The borrower is expected to issue up to \$780.0 million of Senior Secured Notes. If the offering of the Senior Secured Notes by the borrower is not completed on or prior to the closing of the merger, Banc of America Bridge and LCB have severally committed to provide in the aggregate up to \$780.0 million of senior secured bridge loans which will mature twelve months from the initial advance. The borrower under the Bridge Facility will be A&P and certain of its subsidiaries. BAS and Lehman have been appointed joint lead arrangers and joint book running managers. Banc of America Bridge has been appointed administrative agent and collateral agent. LCPI has been appointed syndication agent.

*Mandatory Prepayments.* The Bridge Facility shall be subject to mandatory prepayment requirements in amounts equal to (i) the net proceeds from the issuance of any debt securities or equity securities of the borrower or any of its subsidiaries, (ii) the proceeds from any other indebtedness to the extent the proceeds of such indebtedness are not required to be paid to the



lenders under the ABL Facility, and (iii) the net proceeds from asset sales to the extent such proceeds are not required to be paid to the lenders under the ABL Facility or, in the case of certain assets, have not been reinvested (up to a specified reinvestment limit). The Bridge Facility is also subject to mandatory prepayment in full at the election of the lenders under the Bridge Facility upon a change in control of the borrower.

*Interest Rate.* Loans under the Bridge Facility shall bear interest at a rate equal to the three-month London interbank offered rate plus a specified margin that will be increased at the end of each quarter for so long as the bridge loans are outstanding, subject to a specified cap.

*Guarantors.* All obligations under the Bridge Facility will be guaranteed by borrower's material domestic subsidiaries.

*Security.* The obligations of the borrower and guarantors under the Bridge Facility will be secured, subject to agreed upon exceptions, by a first-priority perfected lien and security interest in general intangibles and 65% of the voting stock in an A&P subsidiary, A&P Bermuda Limited, which owns a required number of shares of Metro capital stock (the *Metro Shares*). In the event of certain events of default, the Bridge Facility shall also be secured by a direct pledge of the Metro Shares. Additionally, the Bridge Facility will be secured by a second-priority perfected security position on all of the collateral securing the ABL Facility on a first-priority basis.

*Covenants.* The Bridge Facility is expected to contain covenants including a negative pledge of the Metro Shares and the stock of A&P Bermuda Limited and A&P Luxembourg S.à.r.l., affirmative covenants similar to those contained in the ABL Facility, as well as customary high yield negative covenants.

*Events of Default.* The events of default are expected to be similar to those contained in the ABL Facility (to be defined in the definitive documentation for the Bridge Facility).

*Rollover.* If the Bridge Facility is not repaid in full on or prior to the maturity date, the principal amount of the Bridge Facility may be refinanced by a senior secured loan with a term of seven years.

*Exchange Notes.* At any time after the Bridge Facility is rolled over into senior secured loans, the bridge lenders may exchange the principal amount of the rollover loans for exchange notes of A&P and certain subsidiaries. These exchange notes will have certain registration rights, entitling holders to exchange the notes for publicly registered securities.

## **Governmental and Regulatory Approvals**

*U.S. Antitrust Filing.* Under the HSR Act and related regulations, the merger may not be completed unless the parties to the transaction file all Premerger Notification and Report Forms with the Antitrust Division of the Department of Justice and the Federal Trade Commission that may be required and the applicable waiting periods, including any extension of the waiting periods, have either expired or been earlier terminated and there can be no assurances that such expiration or termination will be obtained. On March 19, 2007, A&P (with Tengelmann, its largest stockholder) and Pathmark filed all required premerger reporting forms. On April 18, 2007, A&P and Pathmark each received a Second Request from the Federal Trade Commission, requesting additional information and documentary materials. As a result of the Second Request, A&P cannot complete the merger under the HSR Act until the earlier of (i) 30 days after both parties substantially comply with the Second Request (or on the next regular business day if the thirtieth day falls on a Saturday, Sunday or legal public holiday), unless that waiting period is extended by agreement between A&P and the Federal Trade Commission, or (ii) when the Federal Trade Commission terminates its review of the merger. On May 21, 2007, A&P announced that it had entered into a timing agreement with the Federal Trade Commission, pursuant to which A&P agreed, subject to certain conditions, to not (i) certify that they have substantially complied with the Second Requests prior to June 30, 2007, or (ii) consummate the merger for at least 60 days following the date that A&P and Pathmark substantially comply with the Second Requests. On July 13, 2007, A&P and Pathmark each certified substantial compliance with the Federal Trade Commission in response to the



Second Requests. On August 7, 2007, A&P and Pathmark entered into an extension of the timing

agreement with the Federal Trade Commission pursuant to which A&P and Pathmark agreed, subject to certain conditions, that they will not consummate A&P's acquisition of Pathmark before 11:59 p.m. on September 25, 2007. On September 20, 2007, A&P and Pathmark entered into an agreement with the Federal Trade Commission pursuant to which A&P agreed to provide the Federal Trade Commission notice of its intention to consummate A&P's acquisition of Pathmark at least two weeks prior to closing such transaction. A&P and Pathmark further agreed to give such notice to the Federal Trade Commission no sooner than October 5, 2007. A&P and Pathmark will cooperate in this and any other agency reviews and work to resolve any objections to the merger asserted on antitrust grounds. There can be no assurance, however, that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

*Cooperation with State Regulatory Agencies.* A&P and Pathmark have also voluntarily supplied information to the attorneys general of New York, New Jersey and Pennsylvania to assist them in their understanding of the potential competitive effects of the merger.

*Other Regulatory Approvals.* Other than the filings described above, neither A&P nor Pathmark is aware of any regulatory notifications that must be filed, approvals that must be obtained, or waiting periods that must be observed, in order to complete the merger. If the parties discover that other notifications, approvals or waiting periods are necessary, they will seek to observe or obtain them. If any such approval or action is needed, however, A&P and Pathmark may not be able to obtain it or any of the other necessary approvals.

*General.* It is possible that any of the governmental entities with which filings have been made may seek additional regulatory concessions or impose additional conditions on the merger (including certain divestitures) or such governmental entities or states or private parties may commence litigation to prevent the completion of the merger. There can be no assurance that:

A&P or  
Pathmark will  
be able to  
satisfy or  
comply with  
any such  
conditions  
imposed;

compliance or  
noncompliance  
with any such  
conditions will  
not have  
adverse  
consequences  
on A&P after  
completion of  
the merger; or

litigation, if  
any, will be  
resolved  
favorably by  
A&P and

Pathmark.

Even if the parties obtain all necessary approvals and the merger agreement is adopted by Pathmark stockholders and the A&P proposals are approved by the A&P stockholders, conditions may be placed on the merger, or the merger could be delayed in a manner, that could cause A&P to abandon it. See Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Covenants and Agreements and Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Termination.

### **Merger Expenses, Fees and Costs**

Generally, all fees and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this document. Upon termination of the merger agreement under specified circumstances, A&P or Pathmark may be required to pay the other party a termination fee and reimburse expenses. See Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Agreement Fees and Expenses for a discussion of the circumstances under which termination fees will be paid and expenses will be reimbursed.

### **Accounting Treatment**

The merger will be accounted for by A&P using the purchase method of accounting. Under this method of accounting, the purchase price paid by A&P, together with the direct costs of the merger, will be allocated in accordance with GAAP to Pathmark's tangible and intangible assets and liabilities based on their fair market values, with any excess being treated as goodwill. The assets, liabilities and results of operations of Pathmark will be consolidated into the assets, liabilities and results of operations of A&P as of the closing date of the merger.

## Structure of the Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Merger Sub (a newly formed and wholly owned subsidiary of A&P established to facilitate the acquisition of Pathmark) will be merged with and into Pathmark. Pathmark will survive the merger as a wholly owned subsidiary of A&P and will continue its corporate existence under Delaware law under the name Pathmark Stores, Inc.

## Certain Material United States Federal Income Tax Consequences

The following is a summary of certain material United States federal income tax consequences of the merger to U.S. Holders (as defined below) of Pathmark common stock. This summary is based on the Internal Revenue Code of 1986, as amended (the *Code*), applicable Treasury regulations, and administrative and judicial interpretations thereof, each as in effect as of the date hereof, all of which are subject to change or different interpretations, possibly with retroactive effect. The parties have not requested, and do not plan to request, any rulings from the Internal Revenue Service (the *IRS*) concerning the tax consequences of the merger to holders of Pathmark common stock, and the statements in this proxy are not binding on the IRS or any court. There is no assurance that the tax consequences contained in this discussion will not be challenged by the IRS, or if challenged, will be sustained by a court.

This summary assumes that Pathmark common stock is held as a capital asset within the meaning of Section 1221 of the Code. This summary does not address all aspects of taxation that may be relevant to particular holders in light of their personal investment or tax circumstances. In addition, this summary does not address the tax treatment of special classes of holders of Pathmark common stock, including, for example:

banks and other  
financial  
institutions;

insurance  
companies;

tax-exempt  
entities;

mutual funds  
and real estate  
investment  
trusts;

subchapter S  
corporations;

dealers in  
securities or  
currencies;

traders in  
securities that  
elect to use a  
mark-to-market  
method of

accounting for  
their securities  
holdings;

U.S. Holders  
whose  
functional  
currency is not  
the United  
States dollar;

persons holding  
shares of  
Pathmark  
common stock  
as part of a  
hedging or  
conversion  
transaction or as  
part of a  
straddle or a  
constructive  
sale;

U.S.  
expatriates;

persons subject  
to the  
alternative  
minimum tax;

holders who  
acquired  
Pathmark  
common stock  
through the  
exercise of  
employee stock  
options or  
warrants or  
otherwise as  
compensation;

holders that are  
properly  
classified as a  
partnership or  
otherwise as a  
pass-through  
entity under the

Code or  
investors in  
such entities;  
and

individuals,  
corporations,  
estates and  
trusts that are  
not U.S.  
Holders.

This summary also does not address any U.S. federal estate or gift tax consequences, nor any state, local or foreign tax consequences, of the merger.

If any entity that is treated as a partnership for United States federal income tax purposes holds shares of Pathmark common stock, the tax treatment of its partners or members generally will depend upon the status of the partner or member and the activities of the entity. If you are a partner of a partnership or a member of a limited liability company or other entity classified as a

partnership for United States federal tax purposes and that entity is holding Pathmark common stock, you should consult your tax advisor regarding the consequences of the merger to you.

**This discussion of certain material United States federal income tax consequences relating to the merger is not a complete analysis or description of all potential tax consequences of the merger and does not address any state, local or non-U.S. tax consequences of the merger. Therefore, holders are strongly urged to consult their tax advisors as to the specific tax consequences to them, including the applicability and effect of United States federal, state, local, foreign and other tax laws in their particular circumstances.**

For purposes of this discussion, a *U.S. Holder* means a beneficial owner of shares of Pathmark common stock that is for United States federal income tax purposes one of the following:

an individual  
who is a  
citizen or  
resident of the  
United States;

a corporation  
(or other entity  
treated as a  
corporation for  
United States  
federal income  
tax purposes)  
created or  
organized in or  
under the laws  
of the United  
States or any  
state thereof,  
or the District  
of Columbia;

a trust (i) the  
administration  
of which is  
subject to the  
primary  
supervision of  
a United States  
court and  
which has one  
or more United  
States persons  
who have the  
authority to  
control all  
substantial  
decisions of

the trust, or (ii) that has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or

an estate the income of which is subject to United States federal income taxation regardless of its source.

***Consequences of the Transaction to U.S. Holders***

The receipt of the merger consideration, or cash pursuant to the exercise of dissenters' rights of appraisal, by a U.S. Holder in exchange for Pathmark common shares will be a taxable transaction for United States federal income tax purposes. In general, a U.S. Holder will recognize capital gain or loss for United States federal income tax purposes equal to the difference, if any, between (i) the cash received (other than any cash received by dissenters that is treated as actual or imputed interest, which will be taxable as ordinary income) and/or the fair market value (as of the effective time of the merger) of the A&P common stock received and (ii) the U.S. Holder's adjusted tax basis in the Pathmark common shares exchanged therefor. Any such gain or loss would be long-term capital gain or loss if the holding period for the Pathmark common shares as of the effective time of the merger exceeded one year. Long-term capital gains of a non-corporate U.S. Holder generally are taxable at a maximum rate of 15%. Capital gains of a corporate U.S. Holder generally are taxable at the regular tax rates applicable to corporations. The deductibility of capital losses is subject to limitations.

A U.S. Holder's aggregate tax basis in any A&P common stock received pursuant to the merger will equal the fair market value of such stock as of the effective time of the merger. The holding period of such stock received in the transaction will begin on the day after the merger is consummated.

***Information Reporting and Backup Withholding.*** Information reporting and backup withholding, presently at a rate of 28%, may apply to the merger consideration and any payments made to dissenters. Backup withholding will not apply, however, to a U.S. Holder who (i) furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding on the substitute IRS Form W-9 or successor form or (ii) is otherwise exempt from backup withholding and complies with other applicable rules and certification requirements. Backup withholding is not an additional tax, and any amount withheld under these rules may be credited against the holder's United States federal income tax liability and may entitle the holder to a refund if required information is timely furnished to the IRS.



## Appraisal Rights

In connection with the merger, record holders of Pathmark common stock who comply with the procedures summarized below will be entitled to appraisal rights if the merger is completed. Under Section 262 of the DGCL ( *Section 262* ), as a result of completion of the merger, holders of shares of Pathmark common stock with respect to which appraisal rights are properly demanded and perfected and not withdrawn or lost are entitled, in lieu of receiving the merger consideration, to have the fair value of their shares at the effective time of the merger (exclusive of any element of value arising from the accomplishment or expectation of the merger), together with a fair rate of interest, if any, to be paid on the amount determined to be the fair value, judicially determined and paid to them in cash by complying with the provisions of Section 262. Pathmark is required to send a notice to that effect to each stockholder not less than twenty days prior to the special meeting. This joint proxy statement/prospectus, when mailed to the stockholders, constitutes such notice to Pathmark's stockholders.

The following is a brief summary of Section 262, which sets forth the procedures for demanding statutory appraisal rights. This summary is qualified in its entirety by reference to Section 262, a copy of the text of which is attached to this joint proxy statement/prospectus as Annex J.

*Stockholders of record of Pathmark who desire to exercise their appraisal rights must satisfy all of the following conditions.*

A Pathmark stockholder who desires to exercise appraisal rights must (i) not vote in favor of adoption of the merger agreement and (ii) deliver in the manner set forth below a written demand for appraisal of the stockholder's shares to Pathmark before the vote on the merger at the Pathmark special meeting.

A demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as the stockholder's name appears on the certificates representing shares. If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, such demand must be executed by the fiduciary. If shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be executed by all joint owners. An authorized agent, including an agent of two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose that, in exercising the demand, the agent is acting as agent for the record owner. In addition, the stockholder must continuously hold the shares of record from the date of making the demand through the effective time of the merger.

A record owner, such as a broker, who holds shares as a nominee for others may exercise appraisal rights with respect to the shares held for all or less than all beneficial owners of shares as to which the holder is the record owner. In that case, the written demand must set forth the number of shares covered by the demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares outstanding in the name of the record owner.

Beneficial owners who are not record owners and who intend to exercise appraisal rights should instruct the record owner to comply strictly with the statutory requirements with respect to the exercise of appraisal rights before the vote on the adoption of the merger agreement at the special meeting. A beneficial owner of shares held in street name who desires to assert appraisal rights with respect to those shares must take such actions as may be necessary to ensure that a timely and proper demand for appraisal is made by the record owner of the shares. Shares held through banks, brokerage firms and other financial institutions are frequently deposited with and held of record in the name of a nominee of a central security depository, such as Cede & Co., The Depository Trust Company's nominee. Any holder of shares desiring to assert appraisal rights with respect to such shares who held such shares through a brokerage firm, bank or other financial institution is responsible for ensuring that the demand for appraisal is made by the record holder. The stockholder should instruct such firm, bank or institution that the demand for appraisal must be made by the record holder of the shares, which might be the nominee of a central security depository if the shares have been so deposited.



As required by Section 262, a demand for appraisal must be in writing and must reasonably inform Pathmark of the identity of the record holder (which might be a nominee as described above) and of such holder's intention to seek appraisal of such shares.

Stockholders of record who elect to demand appraisal of their shares must mail or deliver their written demand to: Pathmark Stores, Inc., 200 Milik Street, Carteret, New Jersey 07008, Attention: Secretary. The written demand for appraisal should specify the stockholder's name and mailing address, the number of shares owned, and that the stockholder is demanding appraisal of his or her shares. The written demand must be received by Pathmark prior to the taking of the vote on the proposal to adopt the merger agreement at the Pathmark special meeting. Neither voting (in person or by proxy) against, abstaining from voting on or failing to vote on the proposal to adopt the merger agreement will alone suffice to constitute a written demand for appraisal within the meaning of Section 262.

In addition, the stockholder must not vote its shares of common stock in favor of adoption of the merger agreement. A proxy that is signed and does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, will constitute a waiver of that stockholder's right of appraisal and will nullify any previously written demand for appraisal. Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights must indicate that such stockholder's shares are to be voted against the proposal to adopt the merger agreement or to abstain from voting on that proposal.

Within 120 days after the effective time of the merger, either Pathmark, as the surviving corporation in the merger, or any stockholder who has timely and properly demanded appraisal of such stockholder's shares and who has complied with the required conditions of Section 262 and is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of all stockholders who have properly demanded appraisal. Pathmark, as the surviving corporation, has no obligation, and no present intention, to file such a petition. Accordingly, the failure of a stockholder to file a petition within the specified period could nullify the stockholder's previously written demand for appraisal. If a petition for an appraisal is timely filed, after a hearing on such petition, the Delaware Court of Chancery will determine which stockholders are entitled to appraisal rights and thereafter will appraise the shares owned by those stockholders, determining the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value. In determining fair value, the Delaware Court of Chancery is to take into account all relevant factors. In *Weinberger v. UOP, Inc., et al.*, the Delaware Supreme Court discussed the considerations that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that in making this determination of fair value the court must consider "market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of merger and which throw any light on future prospects of the merged corporation . . . ." The Delaware Supreme Court construed Section 262 to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." The Delaware Supreme Court noted, however, that Section 262 provides that fair value is to be determined "exclusive of any element of value arising from the accomplishment or expectation of the merger."

Stockholders considering seeking appraisal should bear in mind that the fair value of their shares determined under Section 262 could be more than, the same as, or less than the merger consideration they are entitled to receive pursuant to the merger agreement if they do not seek appraisal of their shares, and that opinions of investment banking firms as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262.

The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable in the circumstances. Upon application of a stockholder seeking appraisal rights, the Delaware Court of Chancery may order that all or a portion of the expenses incurred by such stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all shares entitled to appraisal. In the absence of such a determination of assessment, each party bears its own expenses.

Except as explained in the last sentence of this paragraph, at any time within sixty days after the effective time of the merger, any stockholder who has demanded appraisal shall have the right to withdraw such stockholder's demand for appraisal and to accept the cash and shares of A&P common stock to which the stockholder is entitled pursuant to the merger. After this period, the stockholder may withdraw such stockholder's demand for appraisal only with the consent of the surviving corporation in the merger. If no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the effective time of the merger, stockholders' rights to appraisal shall cease and all stockholders shall be entitled only to receive the cash and shares of A&P common stock which constitute the merger consideration as provided for in the merger agreement. Inasmuch as the parties to the merger agreement have no obligation to file such a petition, and have no present intention to do so, any stockholder who desires that such petition be filed is advised to file it on a timely basis. No petition timely filed in the Delaware Court of Chancery demanding appraisal shall be dismissed as to any stockholders without the approval of the Delaware Court of Chancery, and that approval may be conditioned upon such terms as the Delaware Court of Chancery deems just.

Failure to comply with all the procedures set forth in Section 262 will result in the loss of a stockholder's statutory appraisal rights.

The foregoing is a brief summary of Section 262 that sets forth the procedures for demanding statutory appraisal rights. This summary is qualified in its entirety by reference to Section 262, a copy of the text of which is attached hereto as Annex J.

### **Restrictions on Sales of Shares by Affiliates of Pathmark**

The shares of A&P common stock to be issued in connection with the merger will be registered under the Securities Act of 1933, as amended (the *Securities Act*), and will be freely transferable under the Securities Act, except for shares of A&P common stock issued to any person who is deemed to be an affiliate of Pathmark at the time of the Pathmark special meeting. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under the common control of Pathmark and may include Pathmark's executive officers, directors and significant stockholders, including the Yucaipa Investors. Affiliates may not sell their shares of A&P common stock acquired in connection with the mergers except pursuant to:

an effective  
registration  
statement  
under the  
Securities  
Act  
covering  
the resale of  
those  
shares;

an  
exemption

under  
paragraph  
(d) of Rule  
145 under  
the  
Securities  
Act; or

any other  
applicable  
exemption  
under the  
Securities  
Act.

Pathmark has agreed to use its commercially reasonable efforts to deliver to A&P a letter agreement executed by each of its affiliates prior to the completion of the merger, pursuant to which these affiliates will agree, among other things, not to transfer any shares of A&P common stock received in the merger except in compliance with the Securities Act. This joint proxy statement/prospectus may not be used for resales of A&P common stock received pursuant to the merger by affiliates of Pathmark. In the Yucaipa Stockholder Agreement, A&P has granted to the Yucaipa Investors registration rights in respect of the A&P common stock they receive pursuant to the merger.

**Stock Exchange Listing**

It is a condition to the completion of the merger that the shares of A&P common stock to be issued in connection with the merger be approved for listing on the NYSE, subject to official notice of issuance. Following the merger, the shares of A&P common stock will continue to trade on the NYSE under the symbol GAP.

**Delisting and Deregistration of Pathmark Common Stock**

If the merger is completed, Pathmark common stock will be delisted from NASDAQ and deregistered under the Exchange Act.

## THE MERGER AGREEMENT

The following is a summary of the material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, which is incorporated by reference in its entirety and attached to this joint proxy statement/prospectus as Annex A. We encourage you to read the merger agreement in its entirety because it is the legal document that governs the merger. This summary is not intended to provide you with any other factual information about A&P or Pathmark. Such information can be found elsewhere in this joint proxy statement/prospectus and in A&P's and Pathmark's public filings with the SEC, as described in the section entitled Where You Can Find More Information.

### Structure and Effective Time; Marketing Period

The merger agreement provides for the merger of Merger Sub with and into Pathmark. Pathmark will survive the merger and continue to exist after the merger as a wholly owned subsidiary of A&P.

The closing of the merger will occur after the satisfaction or waiver of the closing conditions set forth in the merger agreement, except for those closing conditions that, by their nature, are to be satisfied at the closing (but subject to the satisfaction or waiver of those conditions), on such date (the *closing date*) as A&P and Pathmark will mutually agree, which will be no later than the second business day after the satisfaction or waiver of the conditions set forth in the merger agreement. See Conditions to the Merger; except that if the Marketing Period, described below, has not ended at the time all such conditions have been satisfied or waived, then the closing date and the closing will occur on the earlier of (i) a date during the Marketing Period specified by A&P on at least two business days' notice to Pathmark and (ii) the final day of the Marketing Period.

The purpose of the Marketing Period is to provide A&P an appropriate period of time during which it can market and place the debt financing contemplated by the financing commitments to finance the merger. For purposes of the merger agreement, *Marketing Period* means the first period of twenty consecutive calendar days after the date of first mailing of this joint proxy statement/prospectus to the stockholders of A&P and Pathmark and throughout which:

A&P and its financing sources have certain financial information required to be provided by them under the merger agreement in connection with A&P's financing of the merger; and

nothing has occurred and no condition exists that would prevent satisfaction of closing conditions for the merger regarding expiration or termination of the waiting period and any extension under

the HSR Act;  
effectiveness of the  
Form S-4 registration  
statement of which  
this joint proxy  
statement/prospectus  
is a part; accuracy of  
Pathmark's  
representations and  
warranties under the  
merger agreement;  
and compliance by  
Pathmark with its  
covenants and  
agreements under the  
merger agreement.

The merger agreement further provides that:

the Marketing Period will end no  
earlier than five business days  
after the later to occur of the date  
the required Pathmark  
stockholder approval of the  
merger is obtained and the date  
the required A&P stockholder  
approval of each of the issuance  
of A&P common stock pursuant  
to the merger agreement and the  
amendment to the A&P charter is  
obtained;

if the financing of the merger is  
completed on a date earlier than  
the expiration of the  
twenty-consecutive-calendar-day  
period and the five-business-day  
period, then the Marketing Period  
will end on that earlier date;

calculations of the  
twenty-consecutive-calendar-day  
period will exclude the periods  
from and including August 17  
through September 3, 2007 and  
December 21, 2007 through  
January 1, 2008;

the Marketing Period will not be  
deemed to have commenced if,  
prior to the completion of the



Marketing Period, (i) Pathmark's  
accounting firm has withdrawn  
its audit opinion with respect to  
any financial statements required  
to be provided under the merger  
agreement in connection with the  
financing of the merger, (ii)  
Pathmark has publicly announced  
any

intention to restate any of its financial information or (iii) Pathmark has failed to file any Form 10-K or Form 10-Q with the SEC by the date required under the Exchange Act; in each case with the Marketing Period recommencing upon remedy of such events as specified in the merger agreement; and

if the financial statements provided to A&P under the merger agreement in connection with the financing of the merger would not be sufficiently current, as provided in the merger agreement, then a new twenty-consecutive-calendar-day period will commence upon delivery to A&P of updated financial information that would be sufficiently current to permit the financing to be completed in accordance with the merger agreement.

The merger will become effective at the time a certificate of merger is duly filed with the Delaware Secretary of State (or at a later time if agreed by the parties and specified in the certificate of merger). We currently expect to complete the Merger during the second half of A&P's fiscal year 2007 ending February 23, 2008; however, we cannot assure you when, or if, all the conditions to completion of the Merger will be satisfied or waived (see Conditions to the Merger ).

### **Dissenters' Rights**

Shares of Pathmark common stock that are outstanding immediately prior to the effective time of the merger and that are held by any person who properly demands appraisal of such shares pursuant to Section 262 of the DGCL, who did not vote in favor of adopting the merger agreement or consent thereto in writing, and who complies in all other respects with Section 262 of the DGCL, shall not be converted into the right to receive the per share merger consideration as provided in the merger agreement, but shall instead be entitled to receive payment of the fair value of such shares in accordance with Section 262 of the DGCL. The appraisal rights and procedures applicable to such dissenting stockholders are described further under Adoption of the Merger Agreement (Pathmark Proposal 1) The Merger Appraisal Rights.

### **Merger Consideration**

At the effective time of the merger, each share of Pathmark common stock (other than dissenting shares) will be converted into the right to receive (i) 0.12963 of a share of A&P common stock and (ii) \$9.00 in cash, without interest.

Pathmark stockholders will not receive any fractional shares of A&P common stock pursuant to the merger. Instead of any fractional shares, stockholders will be paid an amount in cash in lieu of such fraction calculated by multiplying (i)

the number of fractional shares of A&P common stock such holder would otherwise be entitled to receive and (ii) the closing price of the A&P common stock on the NYSE on the trading day immediately prior to the effective time of the merger.

#### **Treatment of Pathmark Stock Options, Warrants and Other Equity-Based Awards**

Each outstanding option to purchase shares of Pathmark common stock granted under any stock compensation plan maintained by Pathmark or its subsidiaries, which we refer to as the *Pathmark stock plans*, will become fully vested and exercisable no less than fifteen days prior to the closing of the merger.

Each outstanding option to purchase shares of Pathmark common stock, other than *Pre-Amendment Options* described in the next paragraph, granted under the Pathmark stock plans will be canceled in exchange for the right to receive a lump sum cash payment to be paid as soon as practicable after the completion of the merger. The lump sum cash payment shall equal the product of (a) the number of shares of Pathmark common stock such holder could have purchased had they exercised their stock options in full immediately prior to the closing and (b) the excess, if any, of (i) the Pathmark Closing Price over (ii) the exercise price per share of such stock option. Any stock options, other than *Pre-Amendment Options*, with exercise prices equal to or greater than the Pathmark Closing Price will be canceled for no consideration.

With respect to Pathmark Pre-Amendment Options, Pathmark will seek to obtain any consents required to cancel any such options with exercise prices less than the Pathmark Closing Price in exchange for a lump sum cash payment in the amount provided in the previous paragraph. Any such Pathmark stock options not canceled and cashed out, or with exercise prices equal to or greater than the Pathmark Closing Price, will be converted into an option to purchase, on the same terms and conditions as were applicable under such option, and taking into account vesting and other changes resulting from the merger, (i) the number of shares of A&P common stock equal to the product of (a) the number of shares of Pathmark common stock such holder could have purchased had such holder exercised such option in full immediately prior to the closing, and (b) the Option Exchange Ratio (defined in the next sentence), *provided* that any fractional shares of A&P common stock resulting from such multiplication shall be rounded up or down to the nearest whole share, at (ii) a price per share equal to (a) the exercise price per share of such Pre-Amendment Option, divided by (b) the Option Exchange Ratio, *provided* that such exercise price shall be rounded up or down to the nearest cent. The *Option Exchange Ratio* means (i) the Pathmark Closing Price divided by (ii) \$27.00.

Upon the closing of the merger, each award of Pathmark common stock subject to transfer restrictions and/or forfeiture then outstanding under the Pathmark stock plans will become fully vested and converted into the right to receive a single lump sum cash payment equal to the product of (i) the number of shares of Pathmark common stock subject to such award immediately prior to the closing of the merger and (ii) the Pathmark Closing Price.

Upon the closing of the merger, each award of Pathmark restricted stock units then outstanding under the Pathmark stock plans will become fully vested and converted into the right to receive a single lump sum cash payment equal to the product of (i) the number of shares of Pathmark common stock applicable to such award immediately prior to the closing and (ii) the Pathmark Closing Price.

Upon the closing of the merger, A&P shall (i) issue the warrants provided for in the Yucaipa Warrant Agreement in exchange for the warrants issued under the warrant agreement dated as of June 9, 2005 among Pathmark, the Yucaipa Investors and the other parties thereto, on the terms and subject to the conditions set forth therein; and (ii) assume the obligations of Pathmark under the 2000 Warrant Agreement and the warrants issued thereunder (the *2000 Warrants*), so that the holders of the assumed warrants will have the right to purchase A&P common stock on the terms and subject to the conditions set forth in the 2000 Warrant Agreement and the warrants thereunder. For further details of the Yucaipa Warrant Agreement, see Adoption of the Merger Agreement (Pathmark Proposal 1) Yucaipa Warrant Agreement.

#### **Exchange of Pathmark Stock Certificates for A&P Stock Certificates**

Upon completion of the merger, A&P will deposit with American Stock Transfer & Trust Company, Pathmark's exchange agent for the merger, cash in an amount sufficient to pay the aggregate cash consideration in the merger, and certificates representing the shares of A&P common stock issuable in exchange for outstanding shares of Pathmark common stock in an amount sufficient to pay the aggregate stock consideration in the merger and, if required, any dividends or other distributions on A&P common stock with a record date occurring after completion of the merger in accordance with the merger agreement.

Promptly following completion of the merger, A&P or the exchange agent will mail to each record holder of Pathmark common stock a letter of transmittal and instructions for use to effect the surrender of their Pathmark stock certificates in exchange for A&P common stock and cash. Upon surrender of a Pathmark stock certificate to the exchange agent, along with a completed and properly executed letter of transmittal and any other required documents, the Pathmark stock certificate will be canceled and the Pathmark stockholder will receive, without interest, a certificate representing the number of whole shares of A&P common stock to which such holder is entitled, the cash consideration, cash in lieu of fractional shares which such holder has the right to receive, and dividends or distributions, if any, payable in accordance with the merger agreement.



*Pathmark stockholders should not submit their Pathmark stock certificates for exchange unless and until they receive the transmittal instructions and a letter of transmittal from the exchange agent. A&P stockholders will continue to hold their A&P stock certificates following the merger and are not required to take any action with respect to their A&P stock certificates.*

A&P and the exchange agent will be entitled to deduct and withhold from the merger consideration otherwise payable such amounts as are required by applicable law.

### **Directors and Officers**

Upon closing of the merger, Gregory Mays will be elected by the existing A&P directors, unless he is serving as an employee or director of a competitor, to fill the existing vacant position on the A&P board of directors without stockholder action, as provided for under the director election provisions of the bylaws of A&P and Maryland law.

### **Transfers of Pathmark Shares; Lost Stock Certificates**

Upon completion of the merger, all shares of Pathmark common stock outstanding immediately prior to the effective time of the merger will automatically be canceled and no longer be outstanding, and all Pathmark stockholders shall cease to have any rights with respect to such Pathmark common stock (except the right to receive the merger consideration). After the effective time of the merger, there will be no further transfers of shares of Pathmark common stock. If, after such time, any Pathmark common stock certificates are presented to the exchange agent, A&P or the surviving corporation, they will be canceled and exchanged for the merger consideration.

### **Unclaimed Amounts**

Any portion of the merger consideration deposited with the exchange agent that remains undistributed to Pathmark stockholders 180 days after the effective time of the merger shall be delivered to A&P upon demand, and any Pathmark stockholders who have not surrendered their certificates by then can only look to A&P and the surviving corporation for satisfaction of their claims for the merger consideration.

### **Representations and Warranties**

The merger agreement contains representations and warranties that the parties have made to each other as of specific dates. Except for its status as a contractual document that establishes and governs the legal relations among the parties with respect to the merger described therein, the merger agreement is not intended to be a source of factual, business or operational information about the parties. The representations and warranties contained in the merger agreement were made only for purposes of that agreement and as of specific dates, were solely for the benefit of the parties to that agreement, and may be subject to limitations agreed among those parties, including being qualified by disclosures among those parties. Those representations and warranties may have been made to allocate risks among the parties to the merger agreement, including where the parties do not have complete knowledge of all facts, instead of establishing matters as facts. Furthermore, those representations and warranties may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. The assertions embodied in such representations and warranties are qualified by information contained in disclosure letters that the parties exchanged in connection with signing the merger agreement. Accordingly, investors and security holders should not rely on such representations and warranties as characterizations of the actual state of facts or circumstances, since they were only made as of the date of the merger agreement and are modified in important part by the underlying disclosure letters. Moreover, information concerning the subject matter of such representations and warranties may change after the date of the merger agreement.

The merger agreement contains customary representations and warranties of A&P and Pathmark relating to their respective businesses. The representations and warranties in the merger agreement do not survive the effective time of

the merger.

Each of A&P and Pathmark has made representations and warranties to the other regarding, among other things:

corporate  
matters,  
including due  
organization  
and  
qualification;

authority to  
execute and  
deliver the  
merger  
agreement and  
the absence of  
conflicts with,  
or violations  
of,  
organizational  
documents or  
other  
obligations as  
a result of the  
merger;

capital  
structure and  
subsidiaries;

real property;

intellectual  
property;

environmental  
matters;

legal  
proceedings;

tax matters;

labor matters;

employee  
benefit plans;

compliance  
with  
applicable



laws;

SEC reports  
and financial  
statements;

the absence of  
material  
adverse  
changes; and

insurance.

In addition, Pathmark has made other representations and warranties about itself to A&P as to:

material  
contracts;

inventories;

bank  
accounts;

brokers  
fees  
payable in  
connection  
with the  
merger;

ownership  
of A&P  
common  
stock; and

the receipt  
of a  
financial  
advisor's  
opinion.

Also, A&P has made other representations and warranties about itself to Pathmark as to:

solvency;

ownership of  
Pathmark  
common  
stock; and

available  
funds and  
financing to  
consummate  
the merger  
and to fund  
working  
capital needs  
following the  
merger.

Certain of the representations and warranties made by the parties are qualified as to materiality or material adverse effect. For purposes of the merger agreement, *material adverse effect* means with respect to Pathmark or A&P, as the case may be, any change, event or circumstance that, individually or in the aggregate with all other changes, events and circumstances, has a material adverse effect on the business, results of operations, condition (financial or otherwise), assets or liabilities of each respective company and its subsidiaries, taken as a whole. In determining whether a material adverse effect has occurred or is reasonably likely to occur, the parties will disregard effects arising out of (i) general economic, legal, regulatory or political conditions in the United States of America or geographic regions in which each respective company and its subsidiaries operate, except to the extent that each respective company or its subsidiaries are disproportionately affected thereby; (ii) conditions generally affecting the industries in which each respective company and its subsidiaries operate, except to the extent that each respective company or its subsidiaries are disproportionately affected thereby; (iii) the announcement or pendency of the merger or the entry into the merger agreement or the voting and stockholder agreements entered into in connection with the merger agreement; (iv) any decrease in the market price of each respective company's common stock in and of itself (but not any change, event or circumstance that may be underlying such decrease to the extent that such change, event or circumstance would

otherwise constitute a material adverse effect); (v) any changes in the securities markets generally, except to the extent that each respective company or its subsidiaries are disproportionately affected thereby; (vi) the commencement or escalation of a war or armed hostilities or the occurrence of acts of terrorism or sabotage, except to the extent that each respective company or its subsidiaries are disproportionately affected thereby; (vii) earthquakes, hurricanes or other natural disasters, except to the extent that each respective company or its subsidiaries are disproportionately affected thereby; and (viii) compliance with the requirements of changes in law or generally accepted accounting principles in the United States of America or any interpretation thereof.

In addition, in determining whether a material adverse effect has occurred or is reasonably likely to occur with respect to Pathmark, the parties will disregard effects arising out of (i) (a) proposing, negotiating, committing to or effecting, by consent decree, hold separate order or otherwise, the sale, transfer, divestiture or disposition of stores, businesses or other assets arising from the parties' compliance with their obligations under the parties' covenant to seek antitrust and other governmental approvals and consents; (b) otherwise taking or committing to take actions that limit or would limit A&P's, Merger Subsidiaries or its subsidiaries (including, after the closing of the merger, Pathmark's and its subsidiaries as subsidiaries of A&P) freedom of action with respect to, or their ability to retain, one or more of their respective stores, businesses, product lines or assets arising from the parties' compliance with their obligations under the parties' covenant to seek antitrust and other governmental approvals and consents; or (c) the application of antitrust laws to the transactions contemplated by the merger agreement or the voting and stockholder agreements entered into in connection with the merger agreement; or (ii) (a) as a result of Pathmark's entry into, and as permitted by, the merger agreement, the payment of any amounts due to, or the provision of any other benefits (including benefits relating to acceleration of stock options) to, any officers or employees under specified employment contracts, noncompetition agreements, employee benefit plans, severance arrangements or other arrangements (except to the extent that payments under such contracts, agreements, plans or arrangements solely for retention exceed the specified estimated retention payments) or (b) the incurrence by Pathmark of out-of-pocket fees and expenses (including legal, accounting, investment banking and other fees and expenses) in connection with the transactions contemplated by the merger agreement (except to the extent that such fees and expenses exceed specified estimated amounts).

Also, in determining whether a material adverse effect has occurred or is reasonably likely to occur with respect to A&P, the parties will disregard effects arising out of (i) sales of stores, offices, plants or warehouses owned or leased by the parties or their subsidiaries (or agreements or plans to sell such facilities) that arise from the parties' compliance with their obligations under their covenant to seek antitrust and other governmental approvals and consents; or (ii) any legal action or similar proceeding brought by any governmental authority under any antitrust law relating to the transactions contemplated by the merger agreement and the voting and stockholder agreements entered into in connection with the merger agreement.

### **Covenants and Agreements**

*Conduct of Business by Pathmark.* Pathmark has agreed, subject to certain exceptions and prior written consent of A&P (which consent will not be unreasonably withheld or delayed), between March 4, 2007 and the completion of the merger that Pathmark and its subsidiaries will use commercially reasonable efforts to conduct their business in the ordinary course of business generally consistent with past practice and to preserve intact their current business organization, keep available the services of their current officers and key employees and keep their relationships with key customers, suppliers, licensors, licensees, distributors and others having business dealings with them.

Pathmark has also agreed that during the same period, and again subject to certain exceptions or prior written consent of A&P (which consent will not be unreasonably withheld or delayed), Pathmark and each of its subsidiaries will not:

amend its  
organizational  
documents;



adopt a plan or agreement of liquidation, dissolution, restructuring, merger, consolidation, recapitalization or other reorganization (other than between wholly owned subsidiaries);

subject to certain exceptions, including certain transactions between Pathmark and its subsidiaries and as contemplated by the provisions described under Treatment of Pathmark Stock Options, Warrants and Other Equity-Based Awards :

issue, sell or otherwise dispose of any shares of its capital stock, voting securities or securities convertible into such stock or

voting  
securities;

grant or  
issue any  
options,  
warrants,  
securities or  
rights that  
are linked  
to the value  
of its  
common  
stock, or  
other rights  
to purchase  
or obtain  
any shares  
of its capital  
stock or any  
of the  
foregoing;

split,  
combine,  
subdivide  
or reclassify  
any shares  
of its capital  
stock;

declare, set  
aside or pay  
any  
dividend or  
other  
distribution  
with respect  
to any  
shares of its  
capital  
stock; or

redeem,  
purchase or  
otherwise  
acquire any  
shares of its  
capital  
stock or any  
rights,

warrants or  
options to  
acquire any  
such shares  
or effect  
any  
reduction in  
capital;

amend or  
otherwise  
restructure  
Pathmark's  
existing credit  
agreement;  
incur any  
additional  
principal  
indebtedness  
under  
Pathmark's  
indenture dated  
January 29,  
2002; or issue  
any bond or  
other debt  
security, incur  
or guarantee  
any  
indebtedness,  
or enter into  
any agreement  
to maintain the  
financial  
condition of  
another person  
other than in  
the ordinary  
course of  
business,  
pursuant to  
Pathmark's  
existing credit  
agreement and  
other specified  
indebtedness,  
and  
indebtedness or  
guarantees  
solely between  
Pathmark and

its subsidiaries;

subject to certain exceptions, increase the benefits under any employee benefit plan or collective bargaining agreement; increase the compensation or benefits payable to, or enter into any employment agreements with, any current or former director, officer, employee or consultant of Pathmark or its subsidiaries; grant any rights to severance, change in control or termination pay to, or enter into any severance or change in control agreement with any current or former director, officer, employee or consultant of Pathmark or its subsidiaries; or take any affirmative action to amend or waive any performance or vesting criteria



or accelerate  
vesting,  
exercisability  
or funding  
under any  
employee  
benefit plan or  
collective  
bargaining  
agreement;

enter into or  
complete the  
acquisition of  
any other  
person or entity  
that would  
materially  
impair or delay  
the  
consummation  
of the  
transactions  
contemplated  
by the merger  
agreement or  
for  
consideration  
in excess of  
\$10,000,000 in  
the aggregate,  
other than other  
acquisitions in  
the ordinary  
course of  
business  
generally  
consistent with  
past practice;

sell, lease,  
license or  
otherwise  
dispose of  
fixed assets or  
personal  
property for  
consideration  
in excess of  
\$3,000,000 in  
the aggregate,

other than pursuant to existing contracts in connection with the termination or closure of certain facilities, or in the ordinary course of business generally consistent with past practice;

encumber any material assets or property, except for specific permitted encumbrances;

subject to specific exceptions, make any new capital expenditures in excess of specified amounts;

settle any pending or threatened legal action or similar proceeding involving a payment that would reasonably be expected to have a material adverse effect on Pathmark;

except as  
required by  
generally  
accepted  
accounting  
principles or  
SEC  
regulations,  
change any  
material  
accounting  
method,  
principle or  
practice;

make, change  
or revoke any  
material tax  
election; adopt  
or change any  
material tax  
accounting  
method; enter  
into any tax  
allocation  
agreement, tax  
indemnity  
agreement or  
similar  
agreement;  
enter into any  
material tax  
settlement or  
compromise; or  
surrender any  
right to claim a  
material refund  
of taxes;

effect any sale  
and leaseback  
transactions  
other than in  
the ordinary  
course of  
business  
generally  
consistent with  
past practice;

terminate or  
close any  
store, office,  
plant or  
warehouse or  
make any  
announcement  
of the intention  
to do so, other  
than in the  
ordinary  
course of  
business  
generally  
consistent with  
past practice;

enter into any  
consulting  
contract  
requiring  
payments by  
Pathmark in  
excess of  
specified  
amounts other  
than in the  
ordinary  
course of  
business  
generally  
consistent with  
past practice  
and other than  
those  
cancelable  
without  
penalty within  
ninety days;

delay  
payments of  
accounts  
payable and  
other  
obligations or  
accelerate the  
collection of or  
modify the  
payment terms  
of receivables  
other than in  
the ordinary  
course of  
business  
generally  
consistent with  
past practice;

subject to  
specific  
exceptions,  
enter into any  
new contract  
or modify or  
amend any  
existing  
contract with  
an executive  
officer,  
director, or  
control persons  
of Pathmark or  
any of its  
subsidiaries or  
with the  
Yucaipa  
Investors or  
any of their  
affiliates or an  
executive  
officer,  
director or  
control person  
of the Yucaipa  
Investors;

incur  
out-of-pocket  
fees and

expenses for investment banking, financial advisory services or due to the Yucaipa Investors and their affiliates in connection with the transactions contemplated by the merger agreement in excess of specified amounts;

materially adversely modify, amend or extend any material contract prior to its expiration date; or

adopt, or propose to adopt, or maintain any shareholders rights plan, poison pill or other similar plan or agreement, unless A&P and Merger Sub are exempted from the provisions of such plan or agreement.

*Conduct of Business by A&P.* A&P has agreed, subject to certain exceptions and prior written consent of Pathmark (which consent will not be unreasonably withheld or delayed), between March 4, 2007 and the completion of the merger that A&P and its subsidiaries will use commercially reasonable efforts to conduct their business in the ordinary course of business generally consistent with past practice and to preserve intact their current business organization, keep available the services of their current officers and key employees and keep their relationships with

key customers, suppliers, licensors, licensees, distributors and others having business dealings with them.

A&P has also agreed that during the same period, and again subject to certain exceptions or prior written consent of Pathmark (which consent will not be unreasonably withheld or delayed), A&P and each of its subsidiaries will not:

amend its  
organizational  
documents,  
other than  
specific  
permitted  
amendments,  
including the  
proposed  
amendment to  
the A&P  
charter to  
exempt the  
transactions  
contemplated  
by the merger  
agreement and  
the agreements  
entered into in  
connection  
therewith from  
the preemptive  
rights  
provisions of  
the A&P  
charter and  
amendments  
necessary to  
effect A&P's  
possible  
reorganization  
into a holding  
company  
structure;

adopt a plan or  
agreement of  
liquidation,  
dissolution,  
restructuring,  
merger,  
consolidation,  
recapitalization  
or other  
reorganization

(other than  
between wholly  
owned  
subsidiaries);

subject to  
certain  
exceptions,  
including  
certain  
transactions  
between A&P  
and its  
subsidiaries:

issue or sell  
any shares  
of its capital  
stock,  
voting  
securities or  
securities  
convertible  
into such  
stock or  
voting  
securities in  
an amount  
in excess of  
one-third of  
A&P's  
outstanding  
stock;

grant or  
issue any  
options,  
warrants,  
securities or  
rights that  
are linked to  
the value of  
its common  
stock, or  
other rights  
to purchase  
or obtain  
any shares  
of its capital  
stock or any  
of the



foregoing;

split,  
combine,  
subdivide or  
reclassify  
any shares  
of its capital  
stock;

declare, set  
aside or pay  
any  
dividend or  
other  
distribution  
with respect  
to any  
shares of its  
capital  
stock; or

redeem,  
purchase  
or  
otherwise  
acquire  
any shares  
of its  
capital  
stock or  
any rights,  
warrants  
or options  
to acquire  
any such  
shares or  
effect any  
reduction  
in capital;

issue any bond  
or other debt  
security, incur  
or guarantee  
any  
indebtedness  
or enter into  
any agreement  
to maintain the  
financial  
condition of  
another person  
other than in  
the ordinary  
course of  
business,  
pursuant to any  
existing credit  
agreement and  
other specified  
indebtedness,  
indebtedness  
or guarantees  
solely between  
A&P and its  
subsidiaries in  
connection  
with store  
leases or  
equipment  
leases or in

connection  
with insurance  
premium  
financing, and  
indebtedness  
not in excess  
of specified  
amounts;

enter into or  
complete the  
acquisition of  
any other  
person or  
entity that  
would  
materially  
impair or delay  
the  
consummation  
of the  
transactions  
contemplated  
by the merger  
agreement or  
for  
consideration  
in excess of  
\$75,000,000 in  
the aggregate,  
other than  
other  
acquisitions in  
the ordinary  
course of  
business  
generally  
consistent with  
past practice;

sell, lease,  
license or  
otherwise  
dispose of  
fixed assets or  
personal  
property in a  
transaction that  
would  
materially  
delay A&P's

ability to  
consummate  
the financing  
of the merger;  
or

delay  
payments of  
accounts  
payable and  
other  
obligations or  
accelerate the  
collection of or  
modify the  
payment terms  
of receivables  
other than in  
the ordinary  
course of  
business.

*Restrictions on Solicitation of Other Offers.* From and after March 4, 2007 until the closing of the merger or the termination of the merger agreement, the merger agreement precludes Pathmark, its subsidiaries and their respective directors, officers, employees, advisors, agents and representatives, and the Yucaipa Investors and their controlled and controlling affiliates from, directly or indirectly:

soliciting or  
knowingly  
encouraging or  
facilitating the  
submission of  
any Company  
Proposal, as  
such term is  
described  
below;

entering into,  
initiating or  
participating in  
any  
discussions or  
negotiations  
with,  
furnishing any  
nonpublic  
information  
relating to  
Pathmark or  
any of its

subsidiaries or  
affording  
access to the  
business,  
properties,  
assets, books  
or records of  
Pathmark or  
any of its  
subsidiaries to,  
otherwise  
cooperating in  
any way with,  
or assisting or  
knowingly  
encouraging  
any effort by  
any third party  
or group that is  
seeking to  
make, or has  
made, or may  
reasonably be  
expected to  
make, a  
Company  
Proposal;

granting any  
waiver or  
release under  
any standstill  
or similar  
agreement  
with respect to  
any class of  
equity  
securities of  
Pathmark or  
any of its  
subsidiaries,  
other than a  
standstill  
provision  
contained in a  
confidentiality  
agreement  
entered into  
with such  
person  
pursuant to

permitted  
discussions of  
nonpublic  
information as  
described  
below; or

entering into  
any agreement  
with respect to  
a Company  
Proposal other  
than a  
confidentiality  
agreement  
permitted  
pursuant to  
permitted  
discussions of  
nonpublic  
information as  
described  
below.

The merger agreement also provides that Pathmark shall, shall cause its subsidiaries to, and shall use its commercially reasonable efforts to cause their representatives to, cease immediately and cause to be terminated any and all existing activities, discussions and negotiations, if any, with any third party or group conducted prior to March 4, 2007 with respect to any Company Proposal.

The merger agreement provides further that, notwithstanding the restrictions described above, if Pathmark receives a Company Proposal:

that was not  
solicited, or  
knowingly  
encouraged  
or  
facilitated,  
by Pathmark  
in violation  
of the  
restrictions  
described  
above;

which either  
constitutes a  
Superior  
Proposal, as  
described  
below, or

which the Pathmark board of directors determines in good faith, after consultation with its financial advisors and outside counsel, would reasonably be expected to result in a Superior Proposal; and

the Pathmark board of directors determines in good faith, after consultation with its outside legal counsel, that failing to engage in discussions or furnish information as described in the next clause would be inconsistent with its fiduciary duties under applicable law;

then, prior to the adoption of the merger agreement by an affirmative vote of a majority of the outstanding shares of Pathmark common stock entitled to vote thereon, Pathmark may:

engage in negotiations or discussions (including the solicitation of a revised Company Proposal) with such third party or group, and

furnish to such third party or group and its attorneys, auditors, advisors and financing sources nonpublic information relating to, and afford such third party or group access to, the business, properties, assets, books and records of Pathmark or any of its subsidiaries pursuant to a confidentiality agreement no less favorable to Pathmark than the confidentiality agreement entered into with A&P in connection with the merger



agreement.

Pathmark has agreed to provide as promptly as practicable to A&P any material information provided to such third party or group that has not previously been provided to A&P.

For purposes of the merger agreement, *Company Proposal* means any inquiry, proposal or offer from any third party or group relating to:

any direct or indirect acquisition or purchase, in a single transaction or a series of transactions, of (i) 20% or more of the assets (including capital stock of Pathmark's subsidiaries) of Pathmark and its subsidiaries, taken as a whole (other than in connection with sales of inventory in the ordinary course of business or with the parties obligations to seek antitrust and other governmental consents and approvals), or (ii) 20% or more of the outstanding shares of Pathmark's common stock;

any tender offer or exchange offer that, if consummated, would result in any third party

or group  
owning, directly  
or indirectly,  
20% or more of  
the outstanding  
shares of  
Pathmark  
common stock;  
or

any merger,  
consolidation,  
business  
combination,  
recapitalization,  
liquidation,  
dissolution,  
binding share  
exchange or  
similar  
transaction  
involving  
Pathmark  
pursuant to  
which any third  
party (or the  
stockholders of  
any third party)  
or group would  
own, directly or  
indirectly, 20%  
or more of any  
class of equity  
securities of  
Pathmark or of  
the surviving  
entity in a  
merger or the  
resulting direct  
or indirect  
parent of  
Pathmark or  
such surviving  
entity;

other than, in each case, the transactions contemplated by the merger agreement.

The merger agreement provides that the term *Superior Proposal* means any bona fide Company Proposal (*provided* that the applicable percentages in the definition of *Company Proposal* shall be 50% as opposed to 20%) which the Pathmark board of directors determines in good faith (after consultation with its financial advisors and outside counsel) (i) is reasonably likely to be consummated taking into the account the third party or group making such Company Proposal and all financial, legal, regulatory and other aspects of such Company Proposal and (ii) would, if

consummated, reasonably be expected to result in a transaction that is more favorable to the Pathmark stockholders than the merger, taking into account all financial, legal, regulatory and other aspects of such Company Proposal and of the merger agreement.

The merger agreement provides that Pathmark must as promptly as practicable advise A&P in writing of the receipt after March 4, 2007 of any Company Proposal or any inquiry that could reasonably be expected to lead to any Company Proposal or inquiry, the material terms and conditions of any such Company Proposal or inquiry and the identity of the third party or group making any such Company Proposal or inquiry. Pathmark has agreed to keep A&P fully informed in all material respects of the status of (including any material developments with respect to) any such Company Proposal or inquiry (including any material changes thereto).

*Pathmark Stockholder Meeting and Duty of the Pathmark Board to Recommend the Transaction.* The merger agreement requires Pathmark to call and hold a special meeting of its stockholders not later than the twenty-third business day following the mailing of this joint proxy statement/prospectus for the purpose of voting on the approval and adoption of the merger agreement and the transactions contemplated thereby. The Pathmark board of directors has agreed to recommend that Pathmark's stockholders vote in favor of adoption of the merger agreement and not to (i) withdraw (or modify in a manner adverse to A&P), or propose to withdraw (or modify in

a manner adverse to A&P), the recommendation or declaration of advisability by the Pathmark board of directors of the merger agreement or the merger, or publicly recommend the approval or adoption of, or propose to recommend, any Company Proposal or Superior Proposal (any such action being referred to as an *Adverse Recommendation Change* ); or (ii) cause or permit Pathmark or any of its subsidiaries to enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement or other similar agreement related to any Company Proposal, other than any confidentiality agreement referred to under *Restrictions on Solicitation of Other Offers*.

Notwithstanding the above, at any time prior to the time Pathmark stockholders have adopted the merger agreement, the Pathmark board of directors may, if, after consultation with its outside counsel, it determines in good faith that failure to take such action would be inconsistent with its fiduciary duties under applicable law, make an Adverse Recommendation Change. The board of directors of Pathmark, however, may not make an Adverse Recommendation Change until after the fifth business day following Pathmark's delivery to A&P of written notice advising A&P that the Pathmark board of directors intends to take such action and specifying the reasons therefor, including (if such change is due to a Superior Proposal) the material terms and conditions of any Superior Proposal (including a summary of the financial, legal, regulatory or other aspects that relate to the Pathmark board of directors' determination that such Company Proposal is a Superior Proposal) that is the basis of the proposed action by the Pathmark board of directors, and prior to taking any such action, Pathmark shall discuss with A&P and consider in good faith any changes to the terms of the merger agreement proposed by A&P in response to such Superior Proposal or otherwise.

The merger agreement provides that the restrictions on solicitation of other offers described above do not prohibit the Pathmark board of directors from complying with Rule 14e-2(a) and Rule 14d-9 under the Exchange Act with regard to a Company Proposal, or from making any other legally required disclosure to Pathmark's stockholders with regard to the Company Proposal under federal securities laws, the regulations of any national securities exchange on which Pathmark's common stock is listed or as required under Delaware law.

*A&P Stockholder Meeting and Duty to Recommend.* The merger agreement requires A&P to call and hold a special meeting of its stockholders not later than the twenty-third business day following the mailing of this joint proxy statement/prospectus for the purpose of voting on the proposal to authorize the issuance of A&P common stock pursuant to the merger and the proposal to amend the A&P charter to exempt the transactions contemplated by the merger agreement and the agreements entered into in connection therewith from the preemptive rights provisions of the A&P charter. The A&P board of directors has agreed to recommend that A&P's stockholders vote in favor of the issuance of A&P common stock and the A&P charter amendment. (At A&P's annual meeting of stockholders on July 19, 2007, A&P stockholders approved an amendment to eliminate such provisions from A&P's charter.)

*Financing.* A&P and Merger Sub have agreed to use their best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable to arrange and obtain the debt financing on the terms and conditions described in the debt financing commitment letters, including using their best efforts:

to maintain in effect the debt financing commitment letters;

to negotiate and enter into definitive agreements with respect

thereto on the terms and conditions contained therein;

to satisfy (or cause their affiliates to satisfy) on a timely basis all conditions, and otherwise comply with all terms, applicable to A&P, Merger Sub or their affiliates in such definitive agreements; and

to consummate the financing contemplated by the debt financing commitment letters at or prior to closing of the merger.

In the event that any portion of the financing becomes unavailable on the terms and conditions contemplated in the debt financing commitment letters, A&P and Merger Sub will use their best

efforts to arrange to obtain any such portion from alternative sources as promptly as practicable following the occurrence of such event but not later than the last day of the Marketing Period, as described under Structure and Effective Time; Marketing Period. A&P has agreed to provide Pathmark copies of any alternative financing agreements, to give Pathmark prompt notice of any material breach by any party or any termination of the debt financing commitment letters and to keep Pathmark fully informed of the status of its efforts to arrange the financing. A&P and Merger Sub have agreed not to amend, supplement, modify or waive any provision or remedy under the debt financing commitment letters or the definitive agreements relating to the financing, without the consent of Pathmark, which consent shall not be unreasonably withheld or delayed.

In addition, A&P has agreed that, in the event that:

all or a portion  
of the  
financing  
structured as  
notes has not  
been  
consummated;

subject to  
limited  
exceptions, all  
closing  
conditions  
contained in  
the merger  
agreement  
have been  
satisfied or  
waived; and

the bridge  
facilities  
contemplated  
by the  
financing  
commitments,  
or alternative  
financing  
contemplated  
by the merger  
agreement, are  
available,

then A&P and Merger Sub will use the proceeds of such bridge financing or alternative financing for the purpose of consummating the transactions contemplated by the merger agreement.

A&P has also agreed to sell or otherwise dispose of up to 7.1 million shares of Metro common stock by June 2, 2007, and that, if the net cash proceeds to A&P of such disposition are less than \$190.0 million, then A&P will issue and sell, by June 2, 2007, shares of A&P common stock and/or preferred stock sufficient to generate aggregate net cash proceeds in the amount of \$190.0 million. (On March 13, 2007, A&P sold 6,350,000 shares of its holdings in Metro

for proceeds of approximately \$203.5 million and placed \$190.0 million of the proceeds in a blocked account to fund a portion of the merger consideration.) A&P agreed to deposit the aggregate net cash proceeds of such sales or dispositions into a blocked bank account through the closing of the merger and to use the funds in the blocked account as part of the consideration for the transactions under the merger agreement and for other limited purposes contemplated by the merger agreement.

Pathmark has agreed to use its best efforts, including certain specific undertakings, to cooperate in obtaining the arrangement of the financing of the transactions contemplated by the merger agreement. If the merger agreement is terminated according to its terms, then A&P has agreed to reimburse Pathmark for fees and expenses incurred by or on behalf of Pathmark solely as a result of its compliance with the provisions described in this Financing section. Neither Pathmark nor any of its subsidiaries shall be required to pay any commitment or other fee or incur any other liability in connection with the financing prior to the effective time of the merger.

*Governmental Approvals.* A&P, Merger Sub and Pathmark have agreed, subject to A&P's termination rights in connection with an Antitrust Termination Determination, as such term is described under Termination, to use their respective best efforts to cause the expiration or termination of the applicable waiting period under the HSR Act as soon as practicable and to resolve such objections, if any, as may be asserted with respect to the transactions contemplated by the merger agreement under any antitrust law.

To this end, A&P and Merger Sub have agreed to use their best efforts to seek to avoid the entry of, or seek to have vacated or terminated, any order, judgment, or similar determination of a court or governmental entity that would prevent or delay the closing of the merger. They have also agreed, subject to their termination rights, to use their best efforts to take all other actions necessary to avoid or eliminate all impediments under any antitrust law that may be asserted by any governmental entity regarding the merger, to enable the closing of the merger to occur as soon as reasonably possible, including (i) proposing and agreeing to, by consent decree, hold separate order, or otherwise, the divestiture or disposition of such stores, businesses or other assets of A&P and its subsidiaries or, after the closing of the merger, of Pathmark and its subsidiaries and (ii) otherwise taking or committing to take actions that limit or would limit A&P's and its subsidiaries' (including, after the closing of the merger, Pathmark's and its subsidiaries') freedom of action with respect to, or its ability to retain, one or more of their respective stores, businesses, product lines or assets, in

each case as may be required in order to avoid the entry of, or to effect the dissolution of, any judgment or similar order in any legal action or similar proceeding, which would otherwise have the effect of preventing or materially delaying the closing of the merger.

Notwithstanding the foregoing, A&P may enter into agreements with governmental entities to delay for reasonable periods of time the closing of the merger, subject to certain limitations, including that:

no such  
agreement  
shall delay  
the closing of  
the merger to  
a date later  
than  
December 4,  
2007;

if, at the time  
of entering  
into the  
agreement, it  
is reasonably  
likely that the  
parties to the  
merger  
agreement in  
the aggregate  
would not be  
required to  
divest, sell or  
dispose of  
stores,  
businesses or  
other assets  
with an  
aggregate  
amount of  
scheduled  
store level  
cash flow in  
excess of  
\$36.0 million  
in order to  
consummate  
the  
transactions  
contemplated  
by the merger  
agreement,  
then no such



agreement  
may be  
entered  
without the  
consent of  
Pathmark,  
which  
consent may  
not be  
unreasonably  
withheld or  
delayed; and

prior to  
entering into  
any such  
agreement,  
A&P must  
provide  
Pathmark  
with at least  
five business  
days prior  
written notice  
of its  
intention to  
do so and  
during such  
period A&P  
must consult  
in good faith  
with  
Pathmark  
regarding the  
agreement.

Notwithstanding anything in the merger agreement to the contrary, prior to December 5, 2007, A&P will not be required to divest, sell or otherwise dispose of, stores, businesses or other assets of A&P, Pathmark or their subsidiaries with an aggregate amount of scheduled store level cashflow in excess of \$36.0 million, or enter into any agreement to do so. On and after December 5, 2007, if the merger has not been completed and the merger agreement has not been terminated, this limitation on A&P's obligations will no longer apply. A&P will not be entitled to any adjustment to or diminution of the aggregate merger consideration as a result of any divestitures or otherwise.

*Indemnification; Insurance; Certain Benefit Plans.* A&P has agreed to maintain in effect after completion of the merger, for the benefit of current and former Pathmark directors and officers, the existing rights to indemnification and limitations on liability for acts or omissions occurring prior to the closing of the merger under the Pathmark certificate of incorporation, bylaws or disclosed agreements of Pathmark.

A&P has also agreed to pay the benefits to which any employee (or his or her beneficiaries) is entitled under the terms of disclosed supplemental retirement and excess benefit plans as in effect immediately prior to the closing of the merger.

The merger agreement provides that prior to the closing, Pathmark shall obtain, at A&P's expense, tail insurance policies with claims periods of at least six years from the closing with respect to directors' and officers' liability insurance in amount and scope at least as favorable as existing policies for claims arising from facts or events that occurred on or prior to the closing; provided that the aggregate premiums for such policies do not exceed an amount equal to 300% of the current annual premium of Pathmark's existing directors' and officers' liability insurance.

The merger agreement also provides that, for a period of six years after completion of the merger, the certificate of incorporation and bylaws of Pathmark, as the surviving corporation in the merger, will contain provisions no less favorable with respect to exculpation and indemnification than those set forth in the current certificate of incorporation and bylaws of Pathmark, except to the extent required by applicable law.

*Employee Benefits.* For twelve months and one day following the effective time of the merger, A&P has agreed with Pathmark that the continuing employees of Pathmark will be entitled to receive employee benefits (excluding equity-based plans) that, in the aggregate, are no less favorable than the employee benefits received by those employees prior to the merger. Subject to certain exceptions, A&P will or will cause the surviving corporation in the merger to give continuing Pathmark employees full credit for purposes of eligibility to participate, vesting and benefit accrual (other than with respect to any defined benefit plan) under the employee benefit plans or arrangements maintained by A&P, the surviving corporation in the merger or their subsidiaries to the same extent recognized by Pathmark or such subsidiaries under the corresponding Pathmark

benefit plans immediately prior to the closing of the merger, and with respect to certain welfare benefit plans maintained for the benefit of continuing Pathmark employees following the closing of the merger, waive eligibility requirements or preexisting condition limitations to the same extent waived under comparable Pathmark plans immediately prior to the closing of the merger, and recognize deductible amounts paid by such continuing Pathmark employees under the corresponding Pathmark benefit plans.

The parties have agreed that nothing in the covenants described in this **Employee Benefits** section shall create any third-party beneficiary or other right either (i) in any person other than the parties to the merger agreement, including any current or former directors, officers, employees or consultants of Pathmark or its subsidiaries, any participant in any Pathmark employee benefit plan, or any dependent or beneficiary thereof; or (ii) to continued employment with Pathmark, A&P, Merger Sub, the surviving corporation or any of their respective affiliates.

*Cooperation; Commercially Reasonable Efforts.* A&P and Pathmark have agreed to use their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all actions necessary, proper or advisable under applicable law to complete the merger and the other transactions contemplated by the merger agreement.

*Other Agreements.* The merger agreement contains a number of mutual covenants of A&P and Pathmark, including covenants relating to:

providing to each of the other access to the officers, employees, properties, offices and facilities of each of A&P and Pathmark and to financial, operating and other information;

communicating and cooperating with respect to public statements concerning the transactions contemplated by the merger agreement;

notifying each other of the occurrence or failure to occur of any event that would cause, or would reasonably be expected to cause, the failure to satisfy any condition to

closing the merger  
provided in the  
merger agreement;

cooperating with  
each other in  
connection with any  
stockholder litigation  
or claims against  
either of them or  
their directors or  
officers relating to  
the merger;

preparing and filing  
this joint proxy  
statement/prospectus  
and assuring the  
accuracy of the  
information in it;

not selling or  
acquiring record or  
beneficial ownership  
of securities of each  
other; and

taking actions  
relating to  
exemptions from  
liability under Rule  
16b-3 under the  
Exchange Act.

The merger agreement also contains covenants requiring Pathmark:

to use  
commercially  
reasonable  
efforts (i) to  
conduct an  
offer to  
purchase and  
related  
consent  
solicitation  
with respect  
to any and all  
of Pathmark's  
8.75% Senior  
Subordinated

Notes due  
2012  
outstanding  
on March 4,  
2007 and  
amend the  
related  
indenture as  
reasonably  
requested by  
A&P or (ii) if  
requested by  
A&P and  
permitted  
under the  
indenture, to  
redeem all of  
such  
outstanding  
notes pursuant  
to the  
redemption  
provisions of  
the indenture;

to deliver to  
A&P a letter  
identifying all  
persons who  
were, at the  
date of the  
Pathmark  
special  
meeting,  
affiliates of  
Pathmark for  
purposes of  
Rule 145  
under the  
Securities  
Act; and

to use its  
commercially  
reasonable  
efforts to  
deliver to  
A&P a letter  
agreement  
executed by  
each of its

affiliates prior to the completion of the merger, pursuant to which these affiliates will agree, among other things, not to transfer any shares of A&P common stock received in the merger except in compliance with the Securities Act.

The merger agreement also contains covenants requiring A&P to take all action necessary, after the effective time of the merger, to cause Merger Sub and the surviving corporation to perform all of their obligations under the merger agreement and to consummate the merger on the terms and conditions set forth in the merger agreement.

**Conditions to the Merger**

*Conditions to A&P's and Pathmark's Obligations to Complete the Merger.* Each party's obligation to complete the merger is subject to the satisfaction or waiver of various conditions on or prior to the closing date of the merger that include the following:

the merger  
agreement  
has been  
adopted by  
the  
affirmative  
vote of a  
majority of  
the  
outstanding  
shares of  
Pathmark  
common  
stock  
entitled to  
vote at the  
Pathmark  
special  
meeting;