SEAFAX

FIRST NEWS

FoodONE A division of Seafax, Inc.

Your daily food industry update

RATING CHANGES

Interbay Food Company LLC -- dba MeatUSA -- Woodinville, WA (#16979) **C to I**

R=Recommended L=Limited
I=Inconclusive C=Cautionary Status H=High Risk
T=Too New to Score S=Significant Event
U=Unable to Score

SPECIAL UPDATE

Ocean Nutrition Canada Limited -- Bedford, NS Canada -- Royal DSM, self-described as "a global life sciences and materials sciences company," said July 18 it completed its acquisition of Ocean Nutrition Canada Limited, which had been an affiliate of Clearwater Seafoods Limited Partnership -- The deal with Clearwater Fine Foods Inc and funds managed by Richardson Capital to acquire Ocean Nutrition Canada and first unveiled in mid-May, called for a total enterprise value of $540 million and was structured as an all-cash transaction -- All figures are reported in Canadian dollars -- Ocean Nutrition Canada is a Canada-based supplier of fish oil derived omega-3 fatty acids to the dietary supplement and food and beverage markets -- The company employs some 415 people and was founded in 1997 -- The business has production sites in Canada, the United States and Peru and expects to generate net sales of $190 million for 2012 with estimated earnings before interest, taxes, depreciation and amortization (EBITDA) and $55 million to $60 million -- The entity reports average annual growth over the past five years in local currency amounted to nearly 20%
(#606310)

NEWS DIGEST

J.D.Y., Inc. -- Chicago, IL -- *JDY Gourmet confirms pending asset sale*

David Yourd, president and sole stockholder of J.D.Y. Inc, conducting business as JDY Gourmet, confirmed July 19 that the company entered into an agreement for its assets to be acquired by O'Scannlain & Gorogianis LLC, doing business as Fortune Fish Company.

Terms of the transaction, expected to close at the end of August, were not disclosed. Yourd did advise though that all trade debts owed by JDY Gourmet will be paid in full upon completion of the deal.

A telephone message and email correspondence from SEAFAX to Sean J. O'Scannlain, member and 50% owner of Fortune Fish Company, in an attempt to learn more about the acquisition went unanswered as of Thursday afternoon.

According to Crain's Chicago Business, Fortune Fish Company will operate the acquired business from its Bensenville, IL facility as Fortune Gourmet. O'Scannlain told Crain's that the purchase of JDY Gourmet will boost efficiency and expand Fortune Fish Company's relationship with current customers.

JDY Gourmet was established in 1984 by Yourd's parents as a wholesaler and distributor of general grocery, specialty, meat and poultry items. Yourd is also the president and sole stockholder of J.D.Y Meat Inc, which operates as a retail location.

Fortune Fish Company, founded in 2001, is a wholesaler, distributor and processor of primarily seafood products, but also operates a division which supplies gourmet specialty foods.
(#832385)

Tops Markets, LLC dba Tops Friendly Markets -- Williamsville, NY -- *Tops Markets reveals new acquisition plans*

Tops Markets LLC, which conducts business as Tops Friendly Markets, said July 19 it entered into an agreement with GU Markets LLC, an affiliate of C&S Wholesale Grocers Inc, to acquire 21 supermarkets located in upstate New York and Vermont.

The financial terms of the transaction, including the purchase price, were not disclosed. Tops did relay that the purchase is subject to customary closing conditions and that it expects to close by this fall.

The acquisition will bring the number of Tops stores to 153 and will expand the company's footprint further into areas of northern and eastern New York State and neighboring northern Vermont.

Tops said for the foreseeable future, current plans call for 20 of the stores to be operated under their current Grand Union banner and one store to be operated under its current Bryant's banner. There are approximately 600 associates employed at the locations and Tops conveyed that it will offer all employees continued employment and will operate all 21 stores without any interruption in service upon closing.

Frank Curci, Tops' president and chief executive officer, stated the acquisition of the 21 stores is a natural extension of the company's current footprint.

Michael Newbold, executive vice president and chief administrative officer for C&S Wholesale Grocers, said the transaction allows the company to continue to focus on its core business of providing supply and logistics solutions to its wholesale customers.

Tops presently operates 132 full-service supermarkets in upstate New York and northern Pennsylvania, of which 127 are company owned and five are franchise locations.
(#605154)

FLASH REPORT

America West Brokerage & Trading Co., Inc. -- Commerce City, CO -- Another creditor with an unpaid judgment against ***America West Brokerage & Trading Co., Inc***

stepped forward Thursday, advising SEAFAX it obtained a default judgment against the debtor in April, 2011 in a low six figure amount.

As the result of working to collect a $17,082 debt from ***America West Brokerage & Trading Co., Inc*** earlier this week, SEAFAX learned the entity reportedly ceased operations in May, 2011, but verified that ***William N. Rees Jr.***, the debtor's president, is now involved with a company conducting business from ***Golden, CO*** named ***American West Inc***.

A search of corporate records shows that ***American West Inc*** incorporated in Colorado in May, 2011. Additionally, the phone number previously belonging to ***America West Brokerage & Trading Co., Inc*** is now used by ***American West Inc***. ***Rees*** acknowledged to SEAFAX he is a stockholder of ***American West Inc***.

In a brief conversation with SEAFAX this week, ***Rees*** conveyed ***America West Brokerage & Trading Co., Inc*** ceased operations as the result of his personal health issues at the time and as it sustained heavy losses.

Rees also filed a personal Chapter 7 bankruptcy petition May 15, 2012, listing assets of $364,770 and liabilities of $987,396, including general unsecured non-priority claims of $485,509. He advised SEAFAX that the personal bankruptcy petition was related to the cessation of operations of ***America West Brokerage & Trading Co., Inc*** a year earlier. The petition cites ***America West Brokerage & Trading Co., Inc*** as a name used by the debtor.

The corporate entity did not seek bankruptcy.

The vendor that SEAFAX obtained information from on Thursday provided documents showing it filed a civil complaint against ***America West Brokerage & Trading Co., Inc*** in February, 2011 for non-payment of goods sold. As the defendant failed to answer the complaint, the creditor won a default judgment in the matter in the Circuit Court of Washington County of Arkansas in a sum exceeding $100,000. The creditor went on to register the foreign judgment in the District Court of Jefferson County in Colorado as of December, 2011. According to the creditor, the judgment to this date remains unpaid.

The $17,082 debt dates back to January, 2011. That creditor filed a civil lawsuit in March, 2011 to recover the money it was owed. ***America West Brokerage & Trading Co., Inc*** failed to make an appearance in the case and a judgment was entered in the total sum of $17,082 in January, 2012 by the Los Angeles County Superior Court. When the judgment was not paid, the creditor retained SEAFAX to pursue payment of the judgment.

Curiously, although ***America West Brokerage & Trading Co., Inc***, per ***Rees,*** ceased operations in May, 2011, the corporation is still active and paperwork was filed with the state as recently as last December.

SEAFAX did obtain credit references earlier this year while updating references on ***America West Brokerage & Trading Co., Inc***, which would appear to show the entity was operating in late 2011-early 2012 and some 10 months after its reported closure. It is unclear at present if those vendors were selling ***America West Brokerage & Trading Co., Inc*** or the newer entity, ***American West Inc*** without knowledge of the cessation of operations and new corporate identity.
(#607844)

BANKRUPTCY NEWS UPDATE

Buffets Restaurants Holdings, Inc. -- Eagan, MN -- *Buffets' emerges from Chapter 11*

Buffets Restaurants Holdings Inc and its affiliates announced July 19 that they completed their restructuring and emerged from Chapter 11 reorganization, six months after filing their pre-negotiated petitions on January 18.

As part of the reorganization, the companies eliminated all of their outstanding pre-petition term debt, which totaled approximately $255 million, as well as an annual interest expense of more than $35 million, and closed around 140 underperforming restaurants.

With their emergence from Chapter 11, the reorganized companies' outstanding stock is wholly owned by their pre-petition lenders, which includes Twin Haven Capital Partners LLC, Credit Suisse Loan Funding LLC and Rimrock High Income Plus (Master) Fund Ltd.

Mike Andrews, Buffets' chief executive officer, commented July 19 that the companies have emerged with significantly less debt, a much improved balance sheet and a sustainable capital structure, all of which will allow them to leverage their brands as they make investments in the future success of their restaurants.

During a recent strategic planning session, Buffets' chief marketing officer Jason Abelkop, who joined the company in February, unveiled the companies' "plan to win," which outlines a renewed emphasis in improving the guest experience through a series of investments in better facilities, better food and better training and support for employees.

In conjunction with their emergence from Chapter 11, Buffets and its affiliates secured $50 million in exit financing, which the companies said enables them to satisfy their Chapter 11 plan obligations and provides working capital for ongoing operations. Abelkop added July 19 that some of those funds would be used to address deferred maintenance as well as a top to bottom training program for all employees.

Abelkop also said "re-concepted" remodels will begin in the second quarter of Buffets' current fiscal year as the companies move to contemporize the brands. According to the July 19 announcement, it is expected that about 35 to 40 units will be renovated this fiscal year and 50 to 60 in each subsequent year.

Buffets' plan of reorganization, confirmed by the bankruptcy court June 27, provides general unsecured creditors with distributions from a $4 million cash fund that will be funded by the debtors on the effective date, for an approximate recovery of 8% to 9% of the their pre-petition claims. Court documents state that general unsecured creditors hold claims totaling $15.1 million.

The debtors' confirmed plan called for administrative claims, priority tax claims, debtor-in-possession financing claims and other priority claims to be paid in full on or before the effective date.

Buffets Restaurants Holdings' bankrupt affiliates include Buffets Inc, Buffets Holdings Inc, Hometown Buffet Inc, OCB Restaurant Company LLC, OCB Purchasing Co, Buffets Leasing Company LLC, Ryan's Restaurant Group Inc, Buffets Franchise Holdings LLC, Tahoe Joe's Inc, Hometown Leasing Company LLC, OCB Leasing Company LLC, Ryan's Restaurant Leasing Company, Fire

Mountain Restaurants LLC, Tahoe Joe's Leasing Company LLC and Fire Mountain Leasing Company LLC.

Buffets and its affiliates currently operate 357 restaurants in 35 states comprised of 247 steak-buffet restaurants and 10 Tahoe Joe's Famous Steakhouse restaurants. The restaurants are principally operated under the Old Country Buffet, Home Town Buffet, Ryan's and Fire Mountain brands.
(#821731)

Foodmart International II Corp. -- Spring Valley, NY -- *Foodmart International details debt position*

Foodmart International II Corp, which filed a petition for Chapter 11 bankruptcy on July 5, presented the bankruptcy court on July 19 with its statement of its financial affairs, summary of schedules and lists of assets and liabilities.

The debtor discloses it owes $4.66 million in debt and holds an estimated $2.25 million in assets.

Foodmart International's schedules of assets declare that the business holds about $400,000 in inventory and some $1.79 million in equipment and improvements.

Although Foodmart International states it has no secured debt, the business acknowledges it has $690,607 in unsecured priority claims, comprised of union and tax obligations.

The debtor owes $4.37 million in general unsecured non-priority debt. The schedules list Sun Life Assurance Company of Canada with a claim of $2 million for back rent. Previously this debt was listed as a secured claim, but now is not presented that way.

The documents filed Thursday also show All Points Capital Corp holding a lien on the debtor's equipment and improvements, but the claim is listed as having zero outstanding.

The list of general unsecured debts includes a claim of $100,000 owed to a Shih Kung Hu and a claim of $625,000 owed to a Susan Tuan. Mon Chong Loong Trading Corp, based in Maspeth, NY is named as a creditor owed $664,164.

Foodmart International's statement of financial affairs states the enterprise generated about $7.8 million in gross business income for the previous 12 months. The statement also indicated the business incurred unspecified losses in fiscal years 2010 and 2011, but year-to-date in 2012 generated $240,000 in income.

Lewis Wu signed the bankruptcy petition as the president of Foodmart International II Corp and the corporate ownership statement cites Wu as the entity's only stockholder.

The documents submitted to date do not state a reason as to why the debtor sought Chapter 11 bankruptcy nor do they indicate the debtor's plans in terms of any restructuring effort.
(#658821)

Joe Tecce, Inc. dba Joe Tecce's Ristorante & Cafe -- Boston, MA -- *Joe Tecce's disclosure statement approved*

The U.S. Bankruptcy Court for the District of Massachusetts entered an order July 18 approving the Chapter 11 disclosure statement accompanying the proposed plan submitted by Joe Tecce Inc.

Joe Tecce Inc, which conducted business as Joe Tecce's Ristorante & Cafe, filed a petition for Chapter 11 bankruptcy in June, 2011.

The debtor submitted its Chapter 11 plan of liquidation and disclosure statement to the bankruptcy court on June 1.

The bankruptcy court scheduled a hearing to consider confirmation of the debtor's plan for August 29.

Joe Tecce Inc's liquidating plan provides for the payment in full of all secured claims, all administrative claims and all pre-petition priority claims. In addition, the plan also calls for a minimum 25% distribution to holders of allowed general unsecured claims and for the potential distribution of up to 100% of such claims, plus interest, from the proceeds of certain litigation and other assets.

The debtor said payments under the plan are to be funded primarily from three sources, including the settlement with the debtor's prior landlord, the sale of the company's liquor license and the proceeds from litigation against the Commonwealth of Massachusetts.

In 2007, Joe Tecce Inc along with Tecce Family Realty Trust filed a lawsuit against the Commonwealth of Massachusetts for the harm done to the to its property and business as a result of the project referred to by locals as "The Big Dig." The debtor stated that the litigation is still ongoing. The Boston Globe newspaper noted that the plaintiffs are seeking $20 million in damages.

Joe Tecce Inc said the financial difficulties visited upon the company by the "Big Dig" eventually left the business unable to meet all of its financial obligations, prompting additional borrowing, and eventually necessitating it to file for Chapter 11 bankruptcy as a means of preserving the restaurant and reorganizing its financial obligations.

According to Joe Tecce Inc, the post-petition restaurant operations were not profitable, therefore, the debtor elected to close the restaurant and liquidate its assets. The debtor ceased operations in September, 2011.

Last November, Joe Tecce Inc held an auction for its personal property and equipment. The net proceeds from the sale were $20,869. Prior to the auction, the debtor sold its liquor license to Boston, MA-based The Congress Group for $375,000.

According to Joe Tecce Inc's schedules of assets and liabilities filed last June, it owed $670,001 in total debt and held $412,791 in assets.
(#843353)

BANKRUPTCY BRIEFS

Fundamental Provisions, LLC dba Popeyes Chicken and Biscuits -- Gonzales, LA -- The bankruptcy court entered an order July 18 scheduling an August 10 hearing to discuss the proposed dismissal or conversion of the Chapter 11 bankruptcy case of Fundamental Provisions LLC, an AFC Enterprises franchisee, for failure to file a proposed plan -- The order states that more than 120 days have passed since the involuntary Chapter 11 petition was filed against Fundamental Provisions and the

trustee overseeing the operations has not filed a plan of reorganization and accompanying disclosure statement nor requested an extension of time to do so -- Four creditors owed a combined total of $13.7 million filed an involuntary Chapter 11 bankruptcy petition against Fundamental Provision in January stating the debtor was generally not paying its bills as they came due -- The court appointed a trustee in late March to oversee the operations of the debtor during the Chapter 11 process -- The trustee on July 18 presented the debtor's operating report for June, showing Fundamental Provisions generated net income of $105,946 on revenues totaling $2 million -- According to the trustee, for most of the month of June, the debtor and its advisors worked with various parties to facilitate a court-approved auction process and to get due diligence information to prospective interested parties
(#813348)

Sparrer Sausage Company, Inc. dba Lil Dudes -- Chicago, IL -- The bankruptcy court entered a seventh interim order July 18 granting Sparrer Sausage Company Inc, which conducts business as Lil Dudes and El Campeon Food Products, use of cash collateral through August 8 -- Sparrer Sausage Company filed a petition for Chapter 11 bankruptcy in early February -- The debtor filed a motion with the bankruptcy in mid-June requesting approval to sell its assets -- According to Sparrer Sausage Company's motion, it entered into an asset purchase agreement with Sparrer Acquisition Inc which calls for the purchaser to buy the debtor's assets for $2.8 million -- The official committee of unsecured creditors formed in the Chapter 11 bankruptcy case filed by Sparrer Sausage Company presented a motion to the bankruptcy court June 25 objecting to the sale of the debtor's assets to Sparrer Acquisition Inc, stating that other bidders expressed interest in the assets of Sparrer Sausage Company for the same amount of money, but with less onerous pre-conditions -- The bankruptcy court has not yet ruled if the sale of the debtor's assets can be finalized -- The attorney representing Sparrer Sausage Company told SEAFAX in early June that the company plans to present a plan of liquidation in the near future and that unsecured creditors could see a "small" percentage of payment toward their allowed claims
(#63826)

FINANCIAL NEWS

Ignite Restaurant Group, Inc. dba Joe's Crab Shack -- Houston, TX -- *Joe's Crab Shack operator restating financial results*

Ignite Restaurant Group Inc, the owner and operator of the Joe's Crab Shack restaurant concept and which completed its initial public offering May 16, disclosed this week that, following an internal assessment of its lease accounting policies, it is necessary to correct non-cash related errors related to its accounting treatment of certain leases.

The company also revealed it is commencing a detailed review of its historical accounting for fixed assets and related depreciation expense in prior periods as a private company.

Following the completion of the accounting review, Ignite Restaurant Group will restate its previously issued financial statements for years 2009 through 2011 and for the first quarter of 2012.

The company said the lease accounting errors have been preliminarily quantified and date back to 2006, the year of the entity's origination. Adjustments for the errors will reflect non-cash charges primarily relating to deferred rent.

The business estimates that the aggregate pre-tax effect of the lease accounting related restatement items from 2006 through the first quarter of 2012 will range from $3.4 million to $3.8 million. The non-cash charges will impact deferred rent expense and pre-opening expense. The cumulative impact of the expenses in 2006 through 2009 is estimated to be $500,000 to $600,000. The company explained the impact is higher from 2010 through the first quarter of 2012 when it opened 24 new or converted units. The lease accounting restatement adjustments reduce pre-tax income by an estimated $1 million to $1.1 million in 2010, $1.3 million to $1.5 million in 2011 and $550,000 to $650,000 in the first quarter of 2012. The estimated increases in deferred rent expense and pre-opening expense will result in a corresponding increase in the deferred rent liability.

Ignite restaurant Group clarified that the lease accounting related restatement items will not impact its cash flows, revenues or comparable restaurant sales. Additionally, these restatement items will not impact restaurant-level profit margin or adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA).

Ignite Restaurant Group added that during the fixed asset accounting review it will assess historical asset additions, dispositions, useful lives and depreciation from 2006 through the first quarter of 2012. The review will include a store-level fixed asset inventory at all 144 restaurant locations focusing primarily on kitchen equipment and other furniture and fixtures. This review is likely to result in additional adjustments to the historical financial statements. Based on the review work completed to date, the entity expects the fixed asset accounting review to result in a minimum of $1.2 million cumulative of pre-tax non-cash adjustments to the financial statements from 2006 through the first quarter of 2012 that will negatively impact net income during those historical periods.

Due to the scope of the review, the work will likely take several weeks and is expected to delay the release of the company's second quarter earnings.

Raymond A. Blanchette III, the president and chief executive of Ignite Restaurant Group, expressed disappointment and embarrassment to be in the position of having to restate financial results, but offered assurance to investors that the entity's "operations remain strong and our core investment thesis remains unchanged."

Ignite Restaurant Group provided preliminary second quarter 2012 results, stating that for the quarter ended June 18, it estimates revenues to be some $119.9 million, an increase of 16.2% compared to revenues of $103.2 million in the prior year period. The company estimated that comparable restaurant sales increased 3%.

Ignite said restaurant-level profit margin for the second quarter is expected to be between 19.4% and 19.7%. Restaurant-level profit for the second quarter is estimated to be between $23.2 and $23.6 million, an increase of around 29% compared to the previously reported prior year period. The prior year comparison does not include any potential impact from the fixed asset review work that is currently underway, according to the company.

Ignite Restaurant Group also conveyed that the five Joe's Crab Shack restaurants developed under its new unit prototype that have been open for more than 12 months have estimated average sales volumes of $5.9 million over the 12-month period ended June 18. The company opened five new Joe's Crab Shack restaurants during the second quarter. Additionally, one Joe's Crab Shack restaurant opened in the third quarter to date.

Ignite Restaurant Group owns and operates Joe's Crab Shack and Brick House Tavern + Tap. Joe's Crab Shack operates 127 restaurants in 33 states and Brick House Tavern + Tap operates 16 restaurants in nine states as of June 18.
(#801599)

Marine Harvest ASA -- Aalesund, Norway -- *Salmon prices impact Marine Harvest's results*

Marine Harvest ASA said a drop in the average price level of salmon led to decreased revenues and operational earnings before interest and taxes (EBIT) for its second quarter ended June 30.

The company's revenues for the recently ended quarter slipped to NOK 4 billion, or $657.9 million, from NOK 4.19 billion in the prior year's second quarter.

A total volume of 99,165 tonnes was harvested by Marine Harvest in the second quarter, up 24% from 79,932 tonnes in last year's same quarter.

The company posted a net loss of NOK 132 million, or $21.7 million, for the second quarter, compared to a net profit of NOK 685 million in the prior year's same quarter.

Marine Harvest's operational EBIT was NOK 231 million, or $37.9 million, in the recently ended quarter, a significant decrease from NOK 894 million in last year's second quarter.

Marine Harvest's EBIT fell to NOK 69 million, or $11.3 million, in the quarter from NOK 381 million in 2011's second quarter.

Alf-Helge Aarskog, the chief executive officer of Marine Harvest, said in a challenging quarter, the company was able to improve its competitive position and solidity. Aarskog added that Marine Harvest reduced the cost of harvested fish in the second quarter, which is an achievement given a demanding marketplace.

Aarskog conveyed that he was particularly pleased to see that Marine Harvest Scotland's excellent performance continued and that the company's Norwegian results were satisfactory given a few biological incidents in the second quarter. However, Aarskog said the results of Marine Harvest VAP Europe were still disappointing and the company's efforts continue on improving the unit.

Marine Harvest Norway generated operating EBIT of NOK 216 million down from NOK 709 million in the second quarter last year, primarily the result of lower achieved prices, as the substantial increase in global supply contributed to a severe drop in market prices. Norway's total harvest volume climbed to 64,021 tonnes in the second quarter compared with 54,112 tonnes in the same quarter a year ago.

Marine Harvest Chile's EBIT in the recently ended quarter totaled NOK 6 million compared with an operating loss before interest and taxes of NOK 24 million in the second quarter of fiscal 2011. Harvest volume for Marine Harvest Chile climbed to 9,638 tonnes from 1,164 tonnes in the second quarter of last year.

Marine Harvest Scotland saw its operating EBIT dip to NOK 81 million in the second quarter from NOK 178 million in the same quarter a year ago, due to the general reduction in market prices combined with lower volume. Harvest volume in the recently ended quarter was 11,354 tonnes down from 13,014 tonnes in the second quarter last year.

Marine Harvest Canada experienced an operating loss before interest and taxes of NOK 44 million compared to an operations EBIT of NOK 32 million in last year's second quarter. The company said the loss was mainly a result of lower prices and the write down of broodstock of NOK 6 million, as well as claims due to the effects of soft flesh influencing the achieved price. Harvest volume in the quarter was 10,577 tonnes up from 7,772 tonnes in the second quarter of fiscal 2011.

Marine Harvest VAP Europe posted an operating loss before interest and taxes of NOK 5 million on total revenues of NOK 984 million compared with an operational EBIT of NOK 1 million on revenues of NOK 1.09 billion in the second quarter of last year. Marine Harvest VAP Europe's sold volume totaled 15,022 tonnes in the second quarter compared with 14,604 tonnes a year ago.

For the first half of fiscal 2012, Marine Harvest's revenues fell to NOK 7.85 billion, or $1.29 billion, from NOK 8.13 billion in last year's corresponding period.

The company posted a net profit of NOK 270 million, or $44.3 million, for the first half of the fiscal year, down from a net profit of NOK 1 billion in the prior year's same period.

Marine Harvest's operational EBIT dropped to NOK 507 million, or $83.1 million, in the first half of fiscal 2012, compared with NOK 1.86 billion in last year's comparative time frame.

Year-to-date, Marine Harvest's EBIT fell to NOK 512 million, or $84 million, from NOK 1.03 billion in 2011's same period.

Marine Harvest said it expects the challenging market to continue into the third quarter of fiscal 2012.
(#583312)

Nash-Finch Company dba Wholesale Food Outlet -- Minneapolis, MN -- *Goodwill impairment charge leads to loss for Nash-Finch*

Nash-Finch Company said it took a non-cash goodwill impairment charge of $96.9 million after-tax to write off the carrying values of goodwill in its food distribution and retail segments, which resulted in a loss for its second quarter ended June 16.

The company said the goodwill impairment charge resulted from having a depressed stock price during the down economy. Nash-Finch added the goodwill impairment does not reflect management's outlook on the financial future of the company or any of its business segments and, in fact, the business is committed to the long term success of each of its segments and is making capital investments to promote the growth of the company.

Nash-Finch's net loss in the second quarter totaled $85 million compared to net earnings of $10.1 million in fiscal 2011's second quarter.

For the first 24 weeks of fiscal 2012, the company's net loss was $79.5 million compared to net earnings of $17.5 million in the first half of fiscal 2011.

The company's consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted to exclude the impact of significant items totaling $1.6 million and $1 million in the second quarter of 2012 and 2011, respectively, was $27.8 million, or 2.5% of sales, in the recently ended quarter as compared to $34.4 million, or 3.1% of sales, in the prior year's same quarter.

Nash-Finch said investments made in its food distribution marketing programs, which were designed to help drive sales appear to be taking hold , but as expected, lower food price inflation trends continued to negatively impact EBITDA results in the second quarter compared to last year.

Nash-Finch said its food distribution and retail segment's EBITDA was $14.4 million, or 2.5% of sales, in the second quarter as compared to $18.5 million or 3.3% of sales in the same quarter a year ago. The decrease in second quarter EBITDA was partially due to higher inflation in the previous year's quarter resulting in a higher than normal prior year gross margin performance and partially due to about $900,000 in transaction integration costs associated with retail acquisitions.

Nash-Finch said EBITDA for its military distribution business in the recently ended quarter declined to $11.8 million, or 2.3% of sales, from $14.8 million, or 2.8% of sales, primarily due to declines in margins related to lower inflation year-over-year and partially due to approximately $700,000 in start-up and transition costs associated with the opening of its Oklahoma City distribution center and its newest location in Landover, MD which replaces its Jessup, MD location.

Consolidated EBITDA, adjusted to exclude the impact of significant items totaling $2.6 million and $2 million in the first 24 weeks in 2012 and 2011, respectively, was $51.7 million, or 2.4% of sales, in the first half of 2012 compared to $65.2 million, or 3% of sales, if the same period in fiscal 2011.

Nash-Finch's sales in the recently ended second quarter slipped .6% to $1.09 billion from $1.1 billion in fiscal 2011's second quarter. The company said the acquisition by its wholly owned subsidiary, U Save Foods Inc, of 12 Bag 'N Save stores during the second quarter contributed to a net increase in total company sales of $13 million, comprised of a $21 million increase in retail segment sales being partially offset by a $16.1 million decrease in food distribution segment sales that are now reported in the retail segment.

Nash-Finch said sales in the retail segment were negatively impacted by the sales and closings of retail stores since the first quarter of 2011 which resulted in a reduction in sales of $5.8 million. After adjusting for those items, total company second quarter comparable sales decreased 1.5% relative to the prior year period.

Nash-Finch said sales for the food distribution and retail segment in the second quarter slipped .1% to $569.6 million from $570.5 million in the same quarter of fiscal 2011.

The military distribution segment's net sales decreased 1.1% in the quarter to $523.2 million from $529.1 million in last year's second quarter.

Sales for the first 24 weeks of 2012 were $2.15 billion compared to $2.2 billion in the first of half of fiscal 2011, a decrease of 2.2%. After adjusting for the net increase in year-to-date total company sales of $13.0 million attributable to the Bag 'N Save acquisition, offset by the retail segment's year-to-date sales loss of $16.8 million due to the sales and closings of retail stores since the first quarter of 2011, total company year-to-date comparable sales decreased 2.3% relative to last year.

On June 25, U Save Foods also completed an asset purchase of 18 No Frills Supermarkets from NF Foods LLC for the sum of $47.5 million. The 18 acquired supermarkets represented approximately $230 million in retail sales for NF Foods' fiscal year ended December 31, 2011.

Nash-Finch's core business, food distribution, serves independent retailers and military commissaries in 36 states, the District of Columbia, Europe, Cuba, Puerto Rico, the Azores and Egypt. The company also owns and operates a base of retail stores, primarily supermarkets, under the Econofoods, Family Thrift Center, AVANZA, Family Fresh Markets, No Frills, Bag 'N Save and Sun Mart banners.
(#177488)

Safeway Inc. dba Carrs -- Pleasanton, CA --
Safeway sees profits fall

Safeway Inc recorded a decline in second quarter profitability as compared to last year's comparable period, pointing to increased costs and advertising spending.

The grocery retailer said its income from continuing operations decreased to $121.7 million in the 12 weeks ended June 16 from $146 million in the comparable second quarter of fiscal 2011. The company's net income totaled $122.7 million in the recently ended second quarter as opposed to $145.8 million a year earlier.

In January, Safeway announced the planned sale or closure of 27 Genuardi's stores, including the sale of 16 Genuardi's stores to Giant Food Stores LLC. In the first quarter of 2012, Safeway closed three of the Genuardi's stores and incurred impairment and lease exit losses of $14 million, or $8.6 million net of tax. In the second quarter of 2012, Safeway sold three Genuardi's stores for $6.9 million and recorded a gain of $2 million, or $1.2 million after-tax. Safeway said that in its current third quarter, it completed and recorded the sale of 16 Genuardi's stores to Giant Food Stores for a pre-tax gain of $85 million and cash proceeds of $111 million. Safeway expects to close or dispose of the remaining five Genuardi's stores in 2012 for an estimated pre-tax loss of $18 million and cash payments of $6 million.

Safeway said its sales and other revenues increased 1.9% to $10.4 billion in the second quarter of fiscal 2012 from $10.2 billion in the second quarter of fiscal 2011, primarily the result of higher fuel sales and an identical-store sales increase of .8%, excluding fuel, partly offset by a lower Canadian exchange rate.

Safeway's interest expense rose to $73.5 million in the recently ended 12-week period from $61.5 million a year ago because of higher average borrowings, partly offset by lower average interest rates.

Safeway generated income from continuing operations in the 24 weeks ended June 16 of $203.3 million compared to $171.2 million in fiscal 2011's comparable first half primarily due to the $80.2 million tax expense on repatriated earnings from Canada recorded in the first quarter of 2011. Excluding this charge, income from continuing operations would have been $251.4 million in the first 24 weeks of fiscal 2011. The supermarket company's net income totaled $196.6 million in fiscal 2012's first half as compared to $171 million a year earlier.

Safeway said net revenues for the 24-week period just ended climbed to $20.4 billion from $20 billion last year.

Safeway conveyed it invested $219.2 million in capital expenditures in the second quarter of 2012, while opening one new "lifestyle" format store and completing one remodel. Safeway also closed 10 stores, including three Genuardi's stores sold during the quarter. For the year, Safeway stated it expects to invest $900 million in capital expenditures to open 10 new stores, complete 10 remodels, refurbish in-store pharmacies and develop properties through its wholly owned subsidiary, Property Development Centers LLC.

Safeway reiterated it guidance for 2012, saying it remains at $1.90 to $2.10 earnings per diluted share, with non-fuel identical-store sales growth of 1% to 2%, operating profit margin change, excluding fuel, of negative five basis points to positive five basis points, and free cash flow of $850 million to $950 million.
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INDUSTRY NOTES

Ahold U.S.A., Inc. dba Giant -- Quincy, MA -- Ahold U.S.A., Inc announced July 18 its decision to split the former executive vice president of merchandising and marketing role into two position to better support its strategy to grow as a company -- Ahold U.S.A. said with this new structure, it will be better able to support its subsidiaries, Quincy, MA-based The Stop & Shop Supermarket Company LLC, Landover, MD-based Giant Food LLC and Carlisle, PA-based Giant Food Stores LLC, in delivering on their local needs in order to better differentiate them from competitors -- Jeff Martin resigned as Ahold U.S.A.'s executive vice president of merchandising and marketing in June -- Ahold U.S.A. announced July 18 that Erik Keptner has been promoted to the newly created position of executive vice president of marketing, effective immediately -- Keptner began his career at Ahold U.S.A. in 1998, most recently serving as the senior vice president of marketing and consumer insights -- Ahold U.S.A. said it is continuing to search for an executive vice president of merchandising
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