

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____ to _____.

Commission file number: 0-785

NASH-FINCH COMPANY

(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

41-0431960
(I.R.S. Employer Identification No.)

7600 France Avenue South
P.O. Box 355
Minneapolis, Minnesota
(Address of principal executive offices)

55440-0355
(Zip Code)

Registrant's telephone number, including area code: **(952) 832-0534**

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

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

Common Stock, par value \$1.66-2/3 per share
Common Stock Purchase Rights

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act. Yes [] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the proceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No []

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Securities Exchange Act.

Large accelerated filer [] Accelerated filer [X] Non-accelerated filer [] Smaller reporting company []

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 18, 2011 (the last business day of the Registrant's most recently completed second fiscal quarter) was \$411,791,683, based on the last reported sale price of \$33.93 on that date on NASDAQ.

As of February 22, 2012, 12,209,628 shares of Common Stock of the Registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 16, 2012 (the "2012 Proxy Statement") are incorporated by reference into Part III of this report, as specifically set forth in Part III.

Nash Finch Company

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Nash Finch Company

PART I

Throughout this report, we refer to Nash-Finch Company, together with its subsidiaries, as “we,” “us,” “Nash Finch” or “the Company.”

Forward-Looking Information

This report, including the information that is or will be incorporated by reference into this report, contains forward-looking statements that relate to trends and events that may affect our future financial position and operating results. Such statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The statements in this report that are not historical in nature, particularly those that use terms such as “may,” “will,” “should,” “likely,” “expect,” “anticipate,” “estimate,” “believe” or “plan,” or comparable terminology, are forward-looking statements based on current expectations and assumptions, and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Important factors known to us that could cause material differences include the following:

- the effect of competition on our food distribution, military and retail businesses;
- general sensitivity to economic conditions, including the uncertainty related to the current state of the economy in the U.S. and worldwide economic slowdown; disruptions to the credit and financial markets in the U.S. and worldwide; changes in market interest rates; continued volatility in energy prices and food commodities;
- macroeconomic and geopolitical events affecting commerce generally;
- changes in consumer buying and spending patterns;
- our ability to identify and execute plans to expand our food distribution, military and retail operations;
- possible changes in the military commissary system, including those stemming from the redeployment of forces, congressional action and funding levels;
- our ability to identify and execute plans to improve the competitive position of our retail operations;
- the success or failure of strategic plans, new business ventures or initiatives;
- our ability to successfully integrate and manage current or future businesses we acquire, including the ability to manage credit risks and retain the customers of those operations;
- changes in credit risk from financial accommodations extended to new or existing customers;
- significant changes in the nature of vendor promotional programs and the allocation of funds among the programs;
- limitations on financial and operating flexibility due to debt levels and debt instrument covenants;
- legal, governmental, legislative or administrative proceedings, disputes, or actions that result in adverse outcomes;
- our ability to identify and remediate any material weakness in our internal controls that could affect our ability to detect and prevent fraud, expose us to litigation, or prepare financial statements and reports in a timely manner;
- changes in accounting standards;
- technology failures that may have a material adverse effect on our business;
- severe weather and natural disasters that may impact our supply chain;
- unionization of a significant portion of our workforce;
- costs related to a multi-employer pension plan which has liabilities significantly in excess of plan assets;
- changes in health care, pension and wage costs and labor relations issues;
- product liability claims, including claims concerning food and prepared food products;
- threats or potential threats to security;
- unanticipated problems with product procurement; and
- maintaining our reputation and corporate image.

A more detailed discussion of many of these factors is contained in Part I, Item 1A, “Risk Factors,” of this report on Form 10-K. You should carefully consider each of these factors and all of the other information in this report. We undertake no obligation to revise or update publicly any forward-looking statements. You are advised, however, to consult any future disclosures we make on related subjects in future reports to the Securities and Exchange Commission (“SEC”).

ITEM 1. BUSINESS

Originally established in 1885 and incorporated in 1921, we are the second largest publicly traded wholesale food distributor in the United States, in terms of revenue, serving the retail grocery industry and the military commissary and exchange systems. Our sales in fiscal 2011 were approximately \$4.8 billion. Our business currently consists of three primary operating segments: Military Food Distribution (“Military”), Food Distribution and Retail. Financial information about our business segments for the three most recent fiscal years is contained in Part II, Item 8 of this report under Note (18) – “Segment Information” in the Notes to Consolidated Financial Statements.

In November 2006, we announced the launch of a strategic plan, Operation Fresh Start, designed to sharpen our focus and provide a strong platform to support growth initiatives. Our strategic plan is built upon extensive knowledge of current industry, consumer and market trends, and is formulated to differentiate the Company. The strategic plan includes long-term initiatives to increase revenues and earnings, improve productivity and cost efficiencies of our Military, Food Distribution and Retail business segments, and leveraging our corporate support services. The Company has strategic initiatives to improve working capital, manage debt, and increase shareholder value through capital expenditures with acceptable returns on investment. Several important elements of the strategic plan include:

- Supply chain services focused on supporting our businesses with warehouse management, inbound and outbound transportation management and customized solutions for each business;
- Growing the Military business segment through acquisition and expansion of products and services, as well as creating warehousing and transportation cost efficiencies with a long-term distribution center strategic plan;
- Providing our independent retail customers with high level of order fulfillment, broad product selection including leveraging the *Our Family* brand, support services emphasizing best-in-class offerings in marketing, advertising, merchandising, store design and construction, market research, retail store support, retail pricing and license agreement opportunities; and
- Retail formats designed to appeal to the needs of today’s consumers.

The strategic plan includes the following long-term financial targets:

- 2% organic revenue growth
- 4% Consolidated EBITDA¹ as a percentage of sales
- 10% trailing four quarters Free Cash Flow as a percentage of Net Assets²
- 2.5 to 3.0x total leverage ratio (i.e., total debt divided by trailing four quarters Consolidated EBITDA)

¹ Consolidated EBITDA is a measurement not recognized by accounting principles generally accepted in the United States. Please refer to Part II, Item 7 of this report under the caption “Consolidated EBITDA (Non-GAAP Measurement)” for the definition of Consolidated EBITDA.

² Defined as cash provided from operations less capital expenditures for property, plant and equipment during the trailing four quarters divided by the average net assets for the current period and prior year comparable period (total assets less current liabilities plus current portion of long-term debt and capital leases). Please refer to Part II, Item 7 of this report under the caption “Free Cash Flow as a percentage of Net Assets (Non-GAAP Measurement)” for the definition of Free Cash Flow as a percentage of Net Assets.

We have made significant progress towards achieving our long-term financial targets. From fiscal 2006 to the end of fiscal 2011, our Consolidated EBITDA margin improved from 2.2% of sales to 2.9% of sales and the debt leverage ratio has improved from 3.11x to 2.14x. The ratio of free cash flow to net assets metric was 6.8% in fiscal 2011, however, excluding strategic investments made during the year, primarily associated with the expansion of our Military business, our free cash flow to net assets metric was 13.9%. The organic revenue growth metric has been negatively affected by the economic environment in fiscal 2011 and was negative 3.8%.

During fiscal 2011, we continued expansion activities associated with our Military business, including ongoing construction activities at our newly acquired properties in Oklahoma City, Oklahoma, while continuing to maintain conservative debt levels in relation to our strategic target. Additionally, we continued cost reduction and working capital initiatives during a challenging business environment. In addition to the strategic initiatives already in progress, our 2012 initiatives include the following:

- Continued implementation of our military distribution center network expansion.
- Execute supply chain and center store initiatives within our food distribution segment.
- Implement cost reduction and profit improvement initiatives.
- Identify acquisitions that support our strategic plan.

Additional description of our business is found in Part II, Item 7 of this report.

Military Segment

Our Military segment sells and distributes grocery products to U.S. military commissaries and exchanges. We are one of the largest distributors, by revenue, in this market. On January 31, 2009, we completed the purchase from GSC Enterprises, Inc., of substantially all of the assets relating to three wholesale food distribution centers located in San Antonio, Texas, Pensacola, Florida and Junction City, Kansas, including all inventory and customer contracts related to the purchased facilities. On December 1, 2009, we purchased a facility in Columbus, Georgia, which began servicing military commissaries and exchanges in the third quarter of fiscal 2010. During the third quarter of fiscal 2010, we purchased a facility in Bloomington, Indiana and two adjacent facilities in Oklahoma City, Oklahoma for expansion of our Military business. The Bloomington, Indiana facility became operational during the fourth quarter of fiscal 2010, while the Oklahoma City, Oklahoma facilities are scheduled to become operational during fiscal 2012.

We serve 179 military commissaries and over 300 exchanges located in 33 states across the United States and the District of Columbia, Europe, Puerto Rico, Cuba, the Azores, Egypt and Bahrain. Our military distribution centers are exclusively dedicated to supplying products to military commissaries and exchanges. These distribution centers are strategically located among the largest concentration of military bases in the areas we serve and near Atlantic ports used to ship grocery products to overseas commissaries and exchanges. We have an outstanding reputation as a distributor focused exclusively on U.S. military commissaries and exchanges, based in large measure on our excellent service metrics, which include fill rate, on-time delivery and shipping accuracy.

The Defense Commissary Agency, also known as DeCA, operates a chain of commissaries on U.S. military installations throughout the world. DeCA contracts with manufacturers to obtain grocery and related products for the commissary system. Manufacturers either deliver the products to the commissaries themselves or, more commonly, contract with distributors such as us to deliver the products. Manufacturers must authorize the distributors as their official representatives to DeCA, and the distributors must adhere to DeCA's frequent delivery system procedures governing matters such as product identification, ordering and processing, information exchange and resolution of discrepancies. We obtain distribution contracts with manufacturers through competitive bidding processes and direct negotiations.

As commissaries need to be restocked, DeCA identifies each manufacturer with which an order is to be placed for additional products, determines which distributor is the manufacturer's official representative in a particular region, and places a product order with that distributor under the auspices of DeCA's master contract with the applicable manufacturer. The distributor selects that product from its existing inventory, delivers it to the commissary or commissaries designated by DeCA, and bills the manufacturer for the product shipped. The manufacturer then bills DeCA under the terms of its master contract. Overseas commissaries are serviced in a similar fashion, except that a distributor's responsibility is to deliver products as and when needed to the port designated by DeCA, which in turn bears the responsibility for shipping the product to the applicable commissary or overseas warehouse.

After we ship a particular manufacturer's products to commissaries in response to an order from DeCA, we invoice the manufacturer for the product price plus a service and or drayage fee that is typically based on a percentage of the purchase price, but may in some cases be based on a dollar amount per case or

pound of product handled. Our order handling and invoicing activities are facilitated by a procurement and billing system developed specifically for the military business, which addresses the unique aspects of its business, and provides our manufacturer customers with a web-based, interactive means of accessing critical order, inventory and delivery information.

We have approximately 600 distribution contracts with manufacturers that supply products to the DeCA commissary system and various exchange systems. These contracts generally have an indefinite term, but may be terminated by either party without cause upon 30 days prior written notice to the other party. The contracts typically specify the commissaries and exchanges we are to supply on behalf of the manufacturer, the manufacturer's products to be supplied, service and delivery requirements and pricing and payment terms. Our ten largest manufacturer customers represented approximately 43% of the Military segment's fiscal 2011 sales.

Food Distribution Segment

Our Food Distribution segment sells and distributes a wide variety of nationally branded and private label grocery products and perishable food products from 14 distribution centers to approximately 1,500 independent retail locations located in 29 states across the United States. Our customers are relatively diverse with the largest customer, excluding our corporate-owned stores, consisting of a consortium of stores representing 6.1%, and the next largest customer representing 6.0% of our fiscal 2011 food distribution sales. No other customer represents greater than 4.0% of our food distribution business. Our ten largest customers represented approximately 38% of the Food Distribution segment's fiscal 2011 sales.

Our distribution centers are strategically located to efficiently serve our independent customer stores and our corporate-owned stores. The distribution centers are equipped with modern materials handling equipment for receiving, storing and shipping merchandise and are designed for high volume operations at low unit costs. We continue to implement operating initiatives to enhance productivity and expand profitability while providing a higher level of service to our distribution customers. Our distribution centers have varying levels of available capacity giving us enough flexibility to service additional customers by leveraging our existing fixed cost base, which can enhance our profitability.

Depending upon the size of the distribution center and the profile of the customers served, our distribution centers typically carry a full line of national brand and private label grocery products and perishable food products. Non-food items and specialty grocery products are distributed from two distribution centers located in Bellefontaine, Ohio and Sioux Falls, South Dakota. We currently operate a fleet of tractors and semi-trailers that deliver the majority of our products to our customers.

Our retailers order their inventory at regular intervals through direct linkage with our information systems. Our Food Distribution sales are made on a market price plus fee and freight basis, with the fee based on the type of commodity and quantity purchased. We adjust our selling prices based on the latest market information, and our freight policy contains a fuel surcharge clause that allows us to mitigate the impact of rising fuel costs.

Products

We primarily sell and distribute nationally branded products and a number of unbranded products, principally meat and produce, which we purchase directly from various manufacturers, processors and suppliers or through manufacturers' representatives and brokers. We also sell and distribute high quality private label products under the proprietary trademark *Our Family*®, a long-standing brand of Nash Finch that offers an alternative to national brands. In addition, we sell and distribute a premium line of branded products under the *Nash Brothers Trading Company*™ trademark, a lower priced line of private label products under the *Value Choice*® trademark and private label products for two of our independent customer groups. We offer over 3,700 stock-keeping units of competitively priced, high quality grocery products and perishable food products which compete with national branded and other value brand products.

Services

To further strengthen our relationships with our food distribution customers, we offer, either directly or through third parties, a wide variety of support services to help them develop and operate stores, as well as compete more effectively. These services include:

- promotional, advertising and merchandising programs;
- installation of computerized ordering, receiving and scanning systems;
- retail equipment procurement assistance;
- providing contacts for accounting, budgeting and payroll services;
- consumer and market research;
- remodeling and store development services;
- securing existing grocery stores that are for sale or lease in the market areas we serve and occasionally acquiring or leasing existing stores for resale or sublease to these customers; and
- NashNet, which provides supply chain efficiencies through internet services.

As of the end of fiscal 2011 and 2010, 55% and 48% of Food Distribution revenues, respectively, were from customers with whom we had entered into long-term supply agreements. The length of our long-term supply agreements typically ranges from 5 to 7 years. These agreements also may contain provisions that give us the opportunity to purchase customers' independent retail businesses before being offered to any third party.

We also provide financial assistance to our food distribution customers, primarily in connection with new store development or the upgrading and expansion of existing stores. As of December 31, 2011, we had loans, net of reserves, of \$29.6 million outstanding to 36 of our food distribution customers, and had guaranteed outstanding and lease obligations of certain food distribution customers in the amount of \$7.9 million. We also, in the normal course of business, sublease retail properties and assign retail property leases to third parties. As of December 31, 2011, the present value of our maximum contingent liability exposure, net of reserves, with respect to the subleases and assigned leases was \$19.3 million and \$11.4 million, respectively.

We distribute products to independent stores that carry the *IGA*¹ banner and our proprietary *Food Pride*® banner. We encourage our independent customers to join one of these banner groups to receive many of the same marketing programs and procurement efficiencies available to grocery store chains while allowing them to maintain their flexibility and autonomy as independents. To use either of these banners, these independents must comply with applicable program standards. As of December 31, 2011, we served 93 retail stores under the *IGA* banner and 50 retail stores under our *Food Pride* banner.

Retail Segment

Our Retail segment is made up of 46 corporate-owned grocery stores, located primarily in the Upper Midwest, in the states of Colorado, Iowa, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. Our corporate-owned stores principally operate under the *Sun Mart*®, *Econofoods*®, *AVANZA*®, *Family Thrift Center*®, *Pick 'n Save*®, *Family Fresh Market*®, *Prairie Market*™, *Saver's Choice*™, *Wally's*™ *Supermarkets* and *Wholesale Food Outlet*™ banners. Our stores are typically located close to our distribution centers in order to create certain operating and logistical efficiencies. As of December 31, 2011, we operated 43 conventional supermarkets, one *AVANZA* grocery store, one *Wholesale Food Outlet* grocery store, and one *Saver's Choice* store.

Our conventional grocery stores offer a wide variety of high quality grocery products and services. Many have specialty departments such as fresh meat counters, delicatessens, bakeries, eat-in cafes, pharmacies, banks and floral departments. These stores also provide services such as check cashing, fax services and money transfers. We emphasize outstanding customer service and have created our G.R.E.A.T. (Greet, React, Escort, Anticipate and Thank) Customer Service Program to train every associate (employee) on the core elements of providing exceptional customer service. "*The Fresh Place*®" concept within our conventional grocery stores is an umbrella banner that emphasizes our high quality perishable products, such as fresh produce, deli, meats,

¹ IGA® is a registered trademark of IGA, Inc.

seafood, baked goods and takeout foods for today's busy consumer. The AVANZA grocery store offers products designed to meet the specific tastes and needs of Hispanic shoppers.

Competition

Military Segment

We are one of six distributors with annual sales into the DeCA commissary system in excess of \$100 million that distributes products via the frequent delivery system. The remaining distributors that supply DeCA tend to be smaller, regional and local providers. In addition, manufacturers contract with others to deliver certain products, such as baking supplies, produce, deli items, soft drinks and snack items, directly to DeCA commissaries and service exchanges. Because of the narrow margins in this industry, it is of critical importance for distributors to achieve economies of scale, which is typically a function of the density or concentration of military bases within the geographic market(s) a distributor serves, and the distributor's share of that market. As a result, no distributor in this industry has a nationwide presence. Rather, distributors tend to concentrate on specific regions, or areas within specific regions, where they can achieve critical mass and utilize warehouse and distribution facilities efficiently. In addition, distributors that operate larger non-military specific distribution businesses tend to compete for DeCA commissary business in areas where such business would enable them to more efficiently utilize the capacity of their existing distribution centers. We believe the principal competitive factors among distributors within this industry are customer service, price, operating efficiencies, reputation with DeCA and location of distribution centers. We believe our competitive position is very strong with respect to all these factors within the geographic areas where we compete.

Food Distribution Segment

The Food Distribution segment is highly competitive as evidenced by the low margin nature of the business. Success in this segment is measured by the ability to leverage scale in order to gain pricing advantages and operating efficiencies, to provide superior merchandising programs and services to the independent customer base and to use technology to increase distribution efficiencies. We compete with local, regional and national food distributors, as well as with vertically integrated national and regional chains using a variety of formats, including supercenters, supermarkets and warehouse clubs that purchase directly from suppliers and self-distribute products to their stores. We face competition from these companies on the basis of price, quality, variety, availability of products, strength of private label brands, schedules and reliability of deliveries and the range and quality of customer services.

Continuing our quality service by focusing on key metrics such as our on-time delivery rate, fill rate, order accuracy and customer service is essential in maintaining our competitive advantage. During fiscal 2011, our distribution centers had an on-time delivery rate, defined as being within ½ hour of our committed delivery time, of 97.2%; and a fill rate, defined as the percentage of cases shipped relative to the number of cases ordered, of 96.8%. We believe we are an industry leader with respect to these key metrics.

Retail Segment

Our Retail segment is highly competitive. We compete with many organizations of various sizes, ranging from national and regional chains that operate a variety of formats (such as supercenters, supermarkets, extreme value food stores and membership warehouse club stores) to local grocery store chains and privately owned unaffiliated grocery stores. Although our target geographic areas have a relatively low presence of national and multi-regional grocery store chains, we are facing increasing competitive pressure from the expansion of supercenters and regional chains. During fiscal 2011 none of our stores and in 2010 three of our stores were impacted by the opening of new supercenters in their markets and a total of 37 stores as of December 31, 2011, now compete with supercenters. Depending upon the market, we compete based on price, quality and assortment, store appeal (including store location and format), sales promotions, advertising, service and convenience. We believe our ability to provide convenience, outstanding perishable execution and exceptional customer service are particularly important factors in achieving competitive success.

Vendor Allowances and Credits

We participate with our vendors in a broad menu of promotions to increase sales of products. These promotions fall into two main categories, off-invoice allowances and performance-based allowances, and are often subject to negotiation with our vendors. In the case of off-invoice allowances, discounts are typically offered by vendors with respect to certain merchandise purchased by us during a specified period of time. We use off-invoice allowances to support a variety of marketing programs such as reduced price offerings for specific time periods, food shows, pallet promotions and private label promotions. The discounts are either reflected directly on the vendor invoice, as a reduction from the normal wholesale prices for merchandise to which the allowance applies, or we are allowed to deduct the allowance as an offset against the vendor's invoice when it is paid.

In the case of performance-based allowances, the allowance or rebate is based on our completion of some specific activity, such as purchasing or selling product during a certain time period. This basic performance requirement may be accompanied by an additional performance requirement such as providing advertising or special in-store promotions, tracking specific shipments of goods to retailers (or to customers in the case of our own retail stores) during a specified period (retail performance allowances), slotting (adding a new item to the system in one or more of our distribution centers) and merchandising a new item, or achieving certain minimum purchase quantities. The billing for these performance-based allowances is normally in the form of a "bill-back" in which case we are invoiced at the regular price with the understanding that we may bill back the vendor for the requisite allowance when the performance is satisfied. We also assess an administrative fee, reflected on the invoices sent to vendors, to recoup our reasonable costs of performing the tasks associated with administering retail performance allowances.

We collectively plan promotions with our vendors and arrive at the amount the respective vendor plans to spend on promotions with us. Each vendor has its own method for determining the amount of promotional funds to be spent with us. In most situations, the vendor allowances are based on units we purchased from the vendor. In other situations, the allowances are based on our past or anticipated purchases and/or the anticipated performance of the planned promotions. Forecasting promotional expenditures is a critical part of our frequently scheduled planning sessions with our vendors. As individual promotions are completed and the associated billing is processed, the vendors track our promotional program execution and spend rate, and discuss the tracking, performance and spend rate with us on a regular basis throughout the year. These communications include discussions with respect to future promotions, product cost, targeted retails and price points, anticipated volume, promotion expenditures, vendor maintenance, billing issues and procedures, new items/discontinued items, and trade spend levels relative to budget per event and per year, as well as the resolution of any issues that arise between the vendor and us. In the future, the nature and menu of promotional programs and the allocation of dollars among them may change as a result of our ongoing negotiations and commercial relationships with our vendors.

Trademarks and Servicemarks

We own or license a number of trademarks, tradenames and servicemarks that relate to our products and services, including those mentioned in this report. We consider certain of these trademarks, tradenames and servicemarks, such as *Our Family*, *Value Choice* and *Nash Brothers Trading Company*, to be of material value to the business conducted by our Food Distribution and Retail segments, and we actively defend and enforce such trademarks, tradenames and servicemarks.

Employees

As of December 31, 2011, we employed 6,342 persons, of whom 4,178 were employed on a full-time basis and 2,164 employed on a part-time basis. Of our total number of employees, 530 were represented by unions (8.4% of all employees) and consisted primarily of warehouse personnel and drivers in our Ohio and Indiana distribution centers. We have 41 employees (0.6% of all employees) who are covered by a collective bargaining agreement that will expire within one year. We consider our employee relations to be good.

Available Information

Our internet website is www.nashfinch.com. The references to our website in this report are inactive references only, and the information on our website is not incorporated by reference in this report. Through the Investor Relations portion of our website and a link to a third-party content provider (under the tab "SEC

Filings”), you may access, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We have also posted on the Investor Relations portion of our website, under the caption “Corporate Governance,” our *Code of Business Conduct* that is applicable to all our directors and employees, as well as our *Code of Ethics for Senior Financial Management* that is applicable to our Chief Executive Officer, Chief Financial Officer and Corporate Controller. Any amendment to or waiver from the provisions of either of these Codes that is applicable to any of these three executive officers will be disclosed on the Investor Relations portion of our website under the “Corporate Governance” caption.

ITEM 1A. RISK FACTORS

In addition to the other information in this Form 10-K, you should carefully consider the specific risk factors set forth below in evaluating Nash Finch because any of the following risks could materially affect our business, financial condition, results of operations and future prospects.

We face substantial competition, and our competitors may have added resources, which could place us at a competitive disadvantage and adversely affect our financial performance.

Our businesses are highly competitive and are characterized by high inventory turnover, narrow profit margins and increasing consolidation. Our Food Distribution and Military businesses compete not only with local, regional and national food distributors, but also with vertically integrated national and regional chains that employ a variety of formats, including supercenters, supermarkets and warehouse clubs. Our retail business, focused in the Upper Midwest, has historically competed with traditional grocery stores and is increasingly competing with alternative store formats such as supercenters, warehouse clubs, dollar stores and extreme value food stores.

Some of our Food Distribution and Retail competitors are substantially larger and may have greater financial resources and geographic scope, lower merchandise acquisition costs and lower operating expenses than we do, thereby intensifying price competition at the wholesale and retail levels. Industry consolidation and the expansion of alternative store formats, which have gained and continue to gain market share at the expense of traditional grocery stores, tend to produce even stronger competition for our retail business and for the independent customers of our distribution business. To the extent our independent customers are acquired by our competitors or are not successful in competing with other retail chains and non-traditional competitors, sales by our distribution business will also be affected. If we fail to effectively implement strategies to respond to these competitive pressures, our operating results could be adversely affected by price reductions, decreased sales or margins, or loss of market share.

The Military segment faces competition from large national and regional food distributors as well as smaller food distributors. Due to the narrow margins in the military food distribution industry, it is of critical importance for distributors to achieve economies of scale, which are typically a function of the density or concentration of military bases in the geographic markets a distributor serves and a distributor's share of that market. As a result, no distributor in this industry has a nationwide presence and it is very difficult, other than through acquisitions, to expand operations in this industry beyond the geographic regions where we currently can utilize our warehouse and distribution capacity.

Our businesses are sensitive to economic conditions that impact consumer spending.

Our businesses are sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending and buying habits. Economic downturns or uncertainty has adversely affected overall demand and intensified price competition, but also has caused consumers to "trade down" by purchasing lower margin items and to make fewer purchases in traditional supermarket channels. Continued negative economic conditions affecting disposable consumer income such as employment levels, business conditions, changes in housing market conditions, the availability of credit, interest rates, volatility in fuel and energy costs, food price inflation or deflation, employment trends in our markets and labor costs, the impact of natural disasters or acts of terrorism, and other matters affecting consumer spending could cause consumers to continue shifting even more of their spending to lower-priced competitors. The continued general reductions in the level of discretionary spending or shifts in consumer discretionary spending to our competitors could continue to adversely affect our growth and profitability.

The worldwide financial and credit market disruptions have reduced the availability of liquidity and credit generally necessary to fund a continuation and expansion of global economic activity. The shortage of liquidity and credit has led to worldwide economic difficulties that could be prolonged. The general slowdown in economic activity caused by an extended period of economic uncertainty could adversely affect our businesses. A continuation or worsening of the current difficult financial and economic conditions could adversely affect our customers' ability to meet the terms of sale or our suppliers' ability to fully perform their commitments to us.

Macroeconomic and geopolitical events may adversely affect our customers, access to products, or lead to general cost increases which could negatively impact our results of operations and financial condition.

Recent events in foreign countries which have resulted in political instability and social unrest and significant deficits in the United States at both the federal and state levels could adversely affect our businesses and customers. Adverse economic or geopolitical events could potentially reduce our access or increase prices associated with products sourced abroad. Such adverse events could lead to significant increases in the price of the products we procure, fuel and other supplies used in our business, utilities, or taxes that cannot be fully recovered through price increases. In addition, disposable consumer income could be affected by these events which could have a negative impact on our results of operations and financial condition.

Our businesses could be negatively affected if we fail to retain existing customers or attract significant numbers of new customers.

Growing and increasing the profitability of our distribution businesses is dependent in large measure upon our ability to retain existing customers and capture additional distribution customers through our existing network of distribution centers, enabling us to more effectively utilize the fixed assets in those businesses. Our ability to achieve these goals is dependent, in part, upon our ability to continue to provide a high level of customer service, offer competitive products at low prices, maintain high levels of productivity and efficiency, particularly in the process of integrating new customers into our distribution system, and offer marketing, merchandising and ancillary services that provide value to our independent customers. If we are unable to execute these tasks effectively, we may not be able to attract significant numbers of new customers and attrition among our existing customer base could increase, either or both of which could have an adverse impact on our revenue and profitability.

Growing and increasing the profitability of our retail business is dependent on increasing our market share in the markets our retail stores are located. We plan to invest in redesigning some of our retail stores into other formats in order to attract new customers and increase our market share. Our results of operations may be adversely impacted if we are unable to attract significant numbers of new retail customers.

Our Military segment operations are dependent upon domestic and international military distribution, and a change in the military commissary system, or level of governmental funding, could negatively impact our results of operations and financial condition.

Because our Military segment sells and distributes grocery products to military commissaries and exchanges in the U.S. and overseas, any material changes in the commissary system, the level of governmental funding to DeCA, military staffing levels or in the locations of bases may have a corresponding impact on the sales and operating performance of this segment. These changes could include privatization of some or all of the military commissary system, relocation or consolidation in the number of commissaries and exchanges, base closings, troop redeployments or consolidations in the geographic areas containing commissaries and exchanges served by us, or a reduction in the number of persons having access to the commissaries and exchanges.

Our results of operations and financial condition could be adversely affected if we are unable to improve the competitive position of our retail operations.

Our Retail segment faces competition from regional and national chains operating under a variety of formats that devote square footage to selling food (i.e., supercenters, supermarkets, extreme value stores, membership warehouse clubs, dollar stores, drug stores, convenience stores, various formats selling prepared foods, and other specialty and discount retailers), as well as from independent food store operators in the markets where we have retail operations. We previously announced strategic initiatives designed to create value within our organization. These initiatives include designing and reformatting our retail stores to increase overall retail sales performance. In connection with these efforts, there are numerous risks and uncertainties, including our ability to successfully identify which course of action will be most financially advantageous for each retail store, our ability to identify those initiatives that will be the most effective in improving the competitive position of the retail stores we retain, our ability to efficiently and timely implement these initiatives, and the response of competitors to these initiatives. If we are unable to improve the overall competitive position of our remaining retail stores the operating performance of that segment may continue to decline and we may need to recognize additional impairments of our long-lived assets and goodwill, be compelled to close or dispose of additional stores and may

incur restructuring or other charges to our earnings associated with such closure and disposition activities. In addition, we cannot assure you that we will be able to replace any of the revenue lost from these closed or sold stores from our other operations.

We may not be able to achieve the expected benefits from the implementation of new strategic initiatives.

We have begun taking action to improve our competitive performance through a series of strategic initiatives. The goal of this effort is to develop and implement a comprehensive and competitive business strategy, addressing the food distribution industry environment and our position within the industry and ultimately create increased shareholder value.

We may not be able to successfully execute our strategic initiatives and realize the intended synergies, business opportunities and growth prospects. Many of the other risk factors mentioned may limit our ability to capitalize on business opportunities and expand our business. Our efforts to capitalize on business opportunities may not bring the intended results. Assumptions underlying estimates of expected revenue growth or overall cost savings may not be met or economic conditions may deteriorate. Customer acceptance of new retail formats developed may not be as anticipated, hampering our ability to attract new retail customers or maintain our existing retail customer base. Additionally, our management may have its attention diverted from other important activities while trying to execute new strategic initiatives. If these or other factors limit our ability to execute our strategic initiatives, our expectations of future results of operations, including expected revenue growth and cost savings, may not be met.

Our ability to operate effectively could be impaired by the risks and costs associated with the current and future efforts to grow our business through acquisitions.

Efforts to grow our business may include acquisitions. Acquisitions entail various risks such as identifying suitable candidates, effecting acquisitions at acceptable rates of return, obtaining adequate financing and acceptable terms and conditions. Our success depends in a large part on factors such as our ability to identify suitable acquisition candidates and successfully integrate such operations and personnel in a timely and efficient manner while retaining the customer base of the acquired operations. If we cannot identify suitable acquisition candidates, successfully integrate these operations and retain the customer base, we may experience material adverse consequences to our results of operations and financial condition. The integration of separately managed businesses operating in different markets involves a number of risks, including the following:

- demands on management related to the significant increase in our size after the acquisition of operations;
- difficulties in the assimilation of different corporate cultures and business practices, such as those involving vendor promotions, and of geographically dispersed personnel and operations;
- difficulties in the integration of departments, information technology systems, operating methods, technologies, books and records and procedures, as well as in maintaining uniform standards and controls, including internal accounting controls, procedures and policies; and
- expenses of any undisclosed liabilities, such as those involving environmental or legal matters.

Successful integration of new operations, including our purchases of a facility in Bloomington, Indiana and two adjacent facilities in Oklahoma City, Oklahoma during the third quarter of fiscal 2010 will depend on our ability to manage those operations, fully assimilate the operations into our distribution network, realize opportunities for revenue growth presented by strengthened product offerings and expanded geographic market coverage, maintain the customer base and eliminate redundant and excess costs. We may not realize the anticipated benefits or savings from these new operations in the time frame anticipated, if at all, or such benefits and savings may include higher costs than anticipated.

Substantial operating losses may occur if the customers to whom we extend credit or for whom we guarantee loan or lease obligations fail to repay us.

In the ordinary course of business, we extend credit, including loans, to our food distribution customers, and provide financial assistance to some customers by guaranteeing their loan or lease obligations. We also lease store sites for sublease to independent retailers. Generally, our loans and other financial accommodations are extended to small businesses that are unrated and may have limited access to conventional financing. As of December 31, 2011, we had loans, net of reserves, of \$29.6 million outstanding to 36 of our food distribution customers and had guaranteed outstanding debt and lease obligations of food distribution customers totaling \$7.9 million. In the normal course of business, we also sublease retail properties and assign retail property leases to third parties. As of December 31, 2011, the present value of our maximum contingent liability exposure, net of reserves, with respect to subleases and assigned leases was \$19.3 million and \$11.4 million, respectively. While we seek to obtain security interests and other credit support in connection with the financial accommodations we extend, such collateral may not be sufficient to cover our exposure. Greater than expected losses from existing or future credit extensions, loans, guarantee commitments or sublease arrangements could negatively and potentially materially impact our operating results and financial condition.

Changes in vendor promotions or allowances, including the way vendors target their promotional spending, and our ability to effectively manage these programs could significantly impact our margins and profitability.

We engage in a wide variety of promotional programs cooperatively with our vendors. The nature of these programs and the allocation of dollars among them evolve over time as the parties assess the results of specific promotions and plan for future promotions. These programs require careful management in order for us to maintain or improve margins while at the same time driving sales for us and for the vendors. A reduction in overall promotional spending or a shift in promotional spending away from certain types of promotions that we have historically utilized could have a significant impact on our gross profit margin and profitability. Our ability to anticipate and react to changes in promotional spending by, among other things, planning and implementing alternative programs that are expected to be mutually beneficial to the manufacturers and us, will be an important factor in maintaining or improving margins and profitability. If we are unable to effectively manage these programs, it could have a material adverse effect on our results of operations and financial condition.

Our debt instruments include financial and other covenants that limit our operating flexibility and may affect our future business strategies and operating results.

Covenants in the documents governing our outstanding or future debt, or our future debt levels, could limit our operating and financial flexibility. Our ability to respond to market conditions and opportunities as well as capital needs could be constrained by the degree to which we are leveraged, by changes in the availability or cost of capital, and by contractual limitations on the degree to which we may, without the consent of our lenders, take actions such as engaging in mergers, acquisitions or divestitures, incurring additional debt, making capital expenditures, repurchasing shares of our stock and making investments, loans or advances. If needs or opportunities were identified that would require financial resources beyond existing resources, obtaining those resources could increase our borrowing costs, further reduce financial flexibility, require alterations in strategies and affect future operating results. If we were to encounter difficulties obtaining access to capital markets for such needs or opportunities, this could negatively impact our future operating results.

Legal, governmental, legislative or administrative proceedings, disputes or actions that result in adverse outcomes or unfavorable changes in government regulations may affect our businesses and operating results.

Adverse outcomes in litigation, governmental, legislative or administrative proceedings and/or other disputes may result in significant liability to the Company and affect our profitability or impose restrictions on the manner in which we conduct our business. Our businesses are also subject to various federal, state and local laws and regulations with which we must comply. Changes in applicable laws and regulations that impose additional requirements or restrictions on the manner in which we operate our businesses could increase our operating costs.

Failure of our internal control over financial reporting could materially impact our business and results.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. An internal control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all internal control systems, internal control over financial reporting may not prevent or detect misstatements. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud, and could expose us to litigation or adversely affect the market price of our common stock.

Changes in accounting standards could materially impact our results.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines, and interpretations for many aspects of our business, such as accounting for insurance and self-insurance, inventories, goodwill and intangible assets, store closures, leases, income taxes and share-based payments, are highly complex and involve subjective judgments. Changes in these rules or their interpretation could significantly change or add significant volatility to our reported earnings without a comparable underlying change in cash flow from operations.

We may experience technology failures which could have a material adverse effect on our business.

We have large, complex information technology systems that are important to our business operations. Although we have an off-site disaster recovery center and have installed security programs and procedures, security could be compromised and technology failures and systems disruptions could occur. This could result in a loss of sales or profits or cause us to incur significant costs, including payments to third parties for damages.

Severe weather and natural disasters can adversely impact our operations, our suppliers or the availability and cost of products we purchase.

Severe weather conditions and natural disasters could damage our properties and adversely impact the geographic areas where we conduct our business. Severe weather and natural disasters could also affect the suppliers from whom we procure products and could cause disruptions in our operations and affect our supply chain capabilities. In addition, unseasonably adverse climatic conditions that impact growing conditions and the crops of food producers may adversely affect the availability or cost of certain products.

Unions may attempt to organize our employees.

While our management believes that our employee relations are good, we cannot be assured that we will not experience pressure from labor unions or become the target of campaigns similar to those faced by our competitors. The potential for unionization could increase if the United States Congress passes the Federal Employee Free Choice Act legislation. We have always respected our employees' right to unionize or not to unionize. However, the unionization of a significant portion of our workforce could increase our overall costs at the affected locations and adversely affect our flexibility to run our business in the most efficient manner to remain competitive or acquire new business. In addition, significant union representation would require us to negotiate wages, salaries, benefits and other terms with many of our employees collectively and could adversely affect our results of operations by increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations.

Costs related to a multi-employer pension plan, which has liabilities in excess of plan assets, may have a material adverse effect on the Company's financial condition and results of operations.

The Company participates in the Central States Southeast and Southwest Areas Pension Funds ("CSS" or "the plan"), a multi-employer pension plan, for certain unionized employees. The Company's contributions to the plan may escalate in future years should we withdraw from the plan or factors outside the Company's control, including the bankruptcy or insolvency of other participating employers, actions taken by trustees who manage the plan, government regulations, or a funding deficiency in the plan. Escalating costs associated with the plan may have a material adverse effect on the Company's financial condition and results of operations.

CSS adopted a rehabilitation plan as a result of its actuarial certification for the plan year beginning January 1, 2008 which placed the plan in critical status. The Actuarial Certification of Plan Status as of January 1, 2010 certified that the Central States Pension Fund remains in critical status with a funded percentage of 63.4%. The plan adopted an updated rehabilitation plan effective December 31, 2010 which implements additional measures to improve the plan's funded level, including establishing an increased minimum retirement age and actuarially adjusting certain pre-age 65 benefits for participants who retire after July 1, 2011. Despite these changes, we can make no assurances of the extent to which the updated rehabilitation plan will improve the funded status of the plan.

Effective July 9, 2009, the trustees of CSS formalized a decision to terminate the participation of YRC Worldwide, Inc. (formerly Yellow Freight and Roadway Express, "YRC") and USF Holland, Inc. from the pension fund. Under an agreement between the Teamsters and YRC dated September 24, 2010, which was eventually ratified by the membership, YRC resumed participation in the plan effective June 1, 2011 at a reduced contribution rate. At this time, there is no change to the funding obligations due from other participating employers in the fund as a result of this agreement; however, further developments may necessitate a reevaluation of the funding obligations at some point in the future.

The underfunding of the plan is not a direct obligation or liability of the Company. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to the Plan, the Company could trigger a substantial withdrawal liability. However, the amount of any increase in contributions will depend upon several factors, including the number of employers contributing to the Plan, results of the Company's collective bargaining efforts, investment returns on assets held by the Plan, actions taken by the trustees of the Plan, and actions that the Federal government may take. We are currently unable to reasonably estimate a liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and can be reasonably estimated.

Increases in employee benefit costs and other labor relations issues may lead to labor disputes and disruption of our businesses.

If we are unable to control health care costs, other wage and benefit costs, or gain operational flexibility under our collective bargaining agreements, we may experience increased operating costs and an adverse impact on future results of operations. There can be no assurance that the Company will be able to negotiate the terms of any expiring or expired agreement in a manner that is favorable to the Company. Therefore, potential work disruptions from labor disputes could result, which may affect future revenues and profitability.

We are subject to the risk of product liability claims, including claims concerning food and prepared food products.

The sale of food and prepared food products for human consumption may involve the risk of injury. Injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling and transportation phases. We cannot be sure that consumption of products we distribute and sell will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters.

Negative publicity related to these types of concerns, or related to product contamination or product tampering, whether valid or not, might negatively impact demand for products we distribute and sell, or cause production and delivery disruptions. We may need to recall products if any of these products become unfit for consumption. Costs associated with these potential actions could adversely affect our operating results.

Threats or potential threats to security may adversely affect our business.

Threats or acts of terror, data theft, information espionage, or other criminal activity directed at the food industry, the transportation industry, or computer or communications systems, including security measures implemented in recognition of actual or potential threats, could increase security costs and adversely affect our operations.

We depend upon vendors to supply us with quality merchandise at the right time and at the right price.

We depend heavily on our ability to purchase merchandise in sufficient quantities at competitive prices. We have no assurances of continued supply, pricing, or access to new products and any vendor could at any time change the terms upon which it sells to us or discontinue selling to us. Sales demands may lead to insufficient in-stock positions of our merchandise.

Significant changes in our ability to obtain adequate product supplies due to weather, food contamination, regulatory actions, labor supply, or product vendor defaults or disputes that limit our ability to procure products for sale to customers could have an adverse effect on our operating results.

Maintaining our reputation and corporate image is essential to our business success.

Our success depends on the value and strength of our corporate name and reputation. Our name, reputation and image are integral to our business as well as to the implementation of our strategies for expanding our business. Our business, prospects, financial condition and results of operations could be adversely affected if our public image or reputation were to be tarnished by negative publicity including dissemination via print, broadcast and social media and other forms of Internet-based communications. Adverse publicity about regulatory or legal action against us could damage our reputation and image, undermine our customers' confidence and reduce long-term demand for our products and services, even if the regulatory or legal action is unfounded or not material to our operations. Any of these events could have a negative impact on our results of operations and financial condition.

The foregoing discussion of risk factors is not exhaustive and we do not undertake to revise any forward-looking statement to reflect events or circumstances that occur after the date the statement is made.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in Minneapolis, Minnesota and consist of approximately 134,900 square feet of office space in a building that we own.

Military Segment

The table below lists the locations and sizes of our facilities exclusively used in our Military segment as of December 31, 2011. Unless otherwise indicated, we own each of these distribution centers. The lease expiration dates range from June 2012 to November 2029. The lease that expires in June 2012 pertains to our Jessup, Maryland facility. There are no remaining renewal options for the leases at these distribution centers.

<u>Location</u>	<u>Approx. Size (Square Feet)</u>
Norfolk, Virginia (2)	791,800
Jessup, Maryland (1)	115,200
Junction City, Kansas (1) (3)	132,000
Pensacola, Florida	355,900
San Antonio, Texas	486,800
Columbus, Georgia (1) (3)	531,900
Bloomington, Indiana (4)	362,600
Oklahoma City, Oklahoma (5)	608,500
Total Square Footage	<u><u>3,384,700</u></u>

(1) Leased facility.

(2) Includes 246,800 square feet that we lease.

- (3) Leased locations requiring periodic lease payments to the holders of outstanding industrial revenue bonds. As of December 31, 2011, all outstanding industrial revenue bonds associated with these locations were held by the Company, and upon expiration of the lease terms, the Company will take title to the properties upon redemption of the outstanding bonds.
- (4) Includes 60,000 square feet that we lease.
- (5) Two adjacent properties purchased during the third quarter of fiscal 2010 which are scheduled to become operational during fiscal 2012.

Food Distribution Segment

The table below lists, as of December 31, 2011, the locations and sizes of our distribution centers primarily used in our food distribution operations. Unless otherwise indicated, we own each of these distribution centers. The lease expirations range from July 2015 to July 2016. The leases have additional renewal option periods available.

<u>Location</u>	<u>Approx. Size (Square Feet)</u>
Midwest Region:	
Omaha, Nebraska (2)	710,800
Cedar Rapids, Iowa	351,900
St. Cloud, Minnesota	329,000
Sioux Falls, South Dakota (3)	275,400
Fargo, North Dakota	288,800
Rapid City, South Dakota (4)	193,500
Minot, North Dakota	185,200
Southeast Region:	
Lumberton, North Carolina (1)	336,500
Statesboro, Georgia (1)	230,500
Bluefield, Virginia	187,500
Great Lakes Region:	
Bellefontaine, Ohio	666,000
Lima, Ohio (5)	523,000
Westville, Indiana	631,900
Cincinnati, Ohio	403,300
Total Square Footage	<u><u>5,313,300</u></u>

- (1) Leased facility.
- (2) Includes 24,000 square feet that we lease.
- (3) Includes 79,300 square feet that we lease.
- (4) Includes 6,400 square feet that we lease.
- (5) Includes 5,500 square feet that we lease.

Retail Segment

The table below contains selected information regarding our 46 corporate-owned stores as of December 31, 2011. We own the facilities of 22 of these stores and lease the facilities of 24 of these stores.

Grocery Store Banners	Number of Stores	Areas of Operation	Average Square Feet
<i>Sun Mart</i>	20	CO, MN, ND, NE	33,800
<i>Econofoods</i>	13	IA, MN, WI	32,037
<i>Family Thrift Center</i>	4	SD	47,796
<i>Family Fresh Market</i>	2	WI	48,992
<i>Pick 'n Save</i>	2	OH	49,043
<i>AVANZA</i>	1	NE	23,211
<i>Prairie Market</i>	1	SD	32,528
<i>Savers Choice</i>	1	MN	32,650
<i>Wallys Supermarkets</i>	1	ND	38,945
<i>Wholesale Food Outlet</i>	1	IA	19,620
Total	46		

As of December 31, 2011, the aggregate square footage of our 46 retail grocery stores totaled 1,626,692 square feet.

ITEM 3. LEGAL PROCEEDINGS

Roundy's Supermarkets, Inc. v. Nash Finch

On February 11, 2008, Roundy's Supermarkets, Inc. ("Roundy's") filed suit against us claiming we breached the Asset Purchase Agreement ("APA"), entered into in connection with our acquisition of certain distribution centers and other assets from Roundy's, by not paying approximately \$7.9 million that Roundy's claimed was due under the APA as a purchase price adjustment. We answered the complaint denying any payment was due to Roundy's and asserted counterclaims against Roundy's for, among other things, breach of contract, misrepresentation, and breach of the duty of good faith and fair dealing. In our counterclaim we demanded damages from Roundy's in excess of \$18.0 million.

On September 14, 2009, we entered into a settlement agreement with Roundy's that fully resolved all claims brought in the lawsuit. Under the terms of the settlement agreement, both parties agreed to dismiss their claims against the other in exchange for a release of claims. Neither party was required to pay any money to the other. We recorded a \$7.6 million gain in fiscal 2009 which represented the reversal of the liability we had recorded in conjunction with the disputed APA purchase price adjustment.

Other

We are also engaged from time-to-time in routine legal proceedings incidental to our business. We do not believe that these routine legal proceedings, taken as a whole, will have a material impact on our business or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

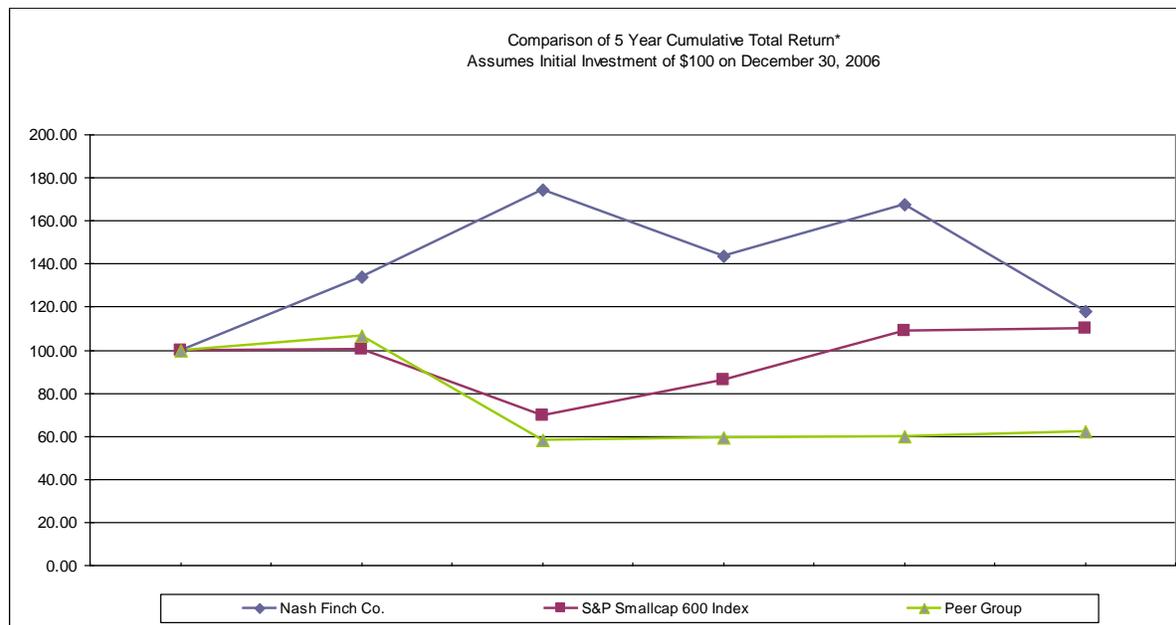
Our common stock is quoted on the NASDAQ Global Select Market and currently trades under the symbol NAFC. The following table sets forth, for each of the calendar periods indicated, the range of high and low closing sales prices for our common stock as reported by the NASDAQ Global Select Market, and the quarterly cash dividends paid per share of common stock. As of February 22, 2012, there were 1,759 stockholders of record.

	2011		2010		Dividends Per Share	
	High	Low	High	Low	2011	2010
First Quarter	\$ 43.20	\$ 36.27	\$ 37.66	\$ 32.87	\$0.18	\$0.18
Second Quarter	38.29	33.67	38.10	33.65	\$0.18	\$0.18
Third Quarter	38.00	25.49	43.62	34.20	\$0.18	\$0.18
Fourth Quarter	29.80	25.06	43.78	36.08	\$0.18	\$0.18

On February 27, 2012, the Nash Finch Board of Directors declared a cash dividend of \$0.18 per common share, payable on March 23, 2012, to stockholders of record as of March 9, 2012.

Total Shareholder Return Graph

The line graph below compares the cumulative total shareholder return on the Company's common stock for the last five fiscal years with cumulative total return on the S&P SmallCap 600 Index and the peer group index described below. This graph assumes a \$100 investment in each of Nash Finch Company, the S&P SmallCap 600 Index and the peer group index at the close of trading on December 30, 2006, and also assumes the reinvestment of all dividends. The stock price performance shown below is not necessarily indicative of future performance.



	2006	2007	2008	2009	2010	2011
Nash Finch Co.	100.00	133.66	174.36	143.50	167.26	118.04
S&P Smallcap 600 Index	100.00	100.43	69.63	86.29	109.00	110.10
Peer Group	100.00	106.35	58.27	59.25	59.61	61.98

* Cumulative total return assumes dividend reinvestment

Source: Zacks Investment Research, Inc.

The peer group represented in the line graph above includes the following nine publicly traded companies: SuperValu Inc., Arden Group, Inc., The Great Atlantic & Pacific Tea Company, Inc., Ingles Markets, Incorporated, Ruddick Corporation, Spartan Stores, Inc., United Natural Foods, Inc., Weis Markets, Inc. and Core-Mark Holding Company, Inc. The peer group cumulative return is weighted by market capitalization of each peer company as of the beginning of the five-year performance period. The decline of the peer group initial investment is representative of the bankruptcy filing of The Great Atlantic & Pacific Tea Company, Inc. during fiscal 2010 and a significant decline in the value of the common stock of SuperValu, Inc.

From time-to-time, the peer group companies have changed due to merger and acquisition activity, bankruptcy filings, company delistings and other similar occurrences. There were no changes to the peer group during fiscal 2011.

The performance graph above is being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

ITEM 6. SELECTED FINANCIAL DATA

NASH FINCH COMPANY AND SUBSIDIARIES
Consolidated Summary of Operations
Five years ended December 31, 2011 (not covered by Independent Auditors' Report)
(Dollar amounts in thousands except per share amounts)

	2011 (52 Weeks)	2010 (52 Weeks)	2009 (1) (52 Weeks)	2008 (53 Weeks)	2007 (52 Weeks)
Results of Operations					
Sales	\$ 4,807,215	\$ 4,991,979	\$ 5,212,655	\$ 4,633,494	\$ 4,464,035
Cost of sales	4,427,189	4,591,191	4,793,967	4,226,545	4,066,381
Gross profit	380,026	400,788	418,688	406,949	397,654
Selling, general and administrative	261,000	269,140	287,328	288,263	280,818
Gains on sale of real estate	-	-	-	-	(1,867)
Special charges	-	-	6,020	-	(1,282)
Gain on acquisition of a business	-	-	(6,682)	-	-
Gain on litigation settlement	-	-	(7,630)	-	-
Goodwill impairment	-	-	50,927	-	-
Depreciation and amortization	35,704	36,119	40,603	38,429	38,882
Interest expense	24,894	23,403	24,372	26,466	28,088
Income tax expense	22,623	21,185	20,972	20,646	16,984
Net earnings	\$ 35,805	\$ 50,941	\$ 2,778	\$ 33,145	\$ 36,031
Basic earnings per share	\$ 2.80	\$ 3.97	\$ 0.21	\$ 2.57	\$ 2.67
Diluted earnings per share	\$ 2.74	\$ 3.86	\$ 0.21	\$ 2.52	\$ 2.64
Cash dividends declared per common share	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72
Selected Data					
Pretax earnings as a percent of sales	1.22%	1.44%	0.46%	1.16%	1.19%
Net earnings as a percent of sales	0.74%	1.02%	0.05%	0.72%	0.81%
Effective income tax rate	38.7%	29.4%	88.3%	38.4%	32.0%
Current assets	\$ 577,382	\$ 591,510	\$ 557,816	\$ 467,951	\$ 477,934
Current liabilities	\$ 299,113	\$ 293,242	\$ 308,509	\$ 297,729	\$ 282,357
Net working capital	\$ 278,269	\$ 298,268	\$ 249,307	\$ 170,222	\$ 195,577
Ratio of current assets to current liabilities	1.93	2.02	1.81	1.57	1.69
Total assets	\$ 1,073,768	\$ 1,050,675	\$ 999,536	\$ 952,546	\$ 949,267
Capital expenditures	\$ 68,600	\$ 59,295	\$ 30,402	\$ 31,955	\$ 21,419
Long-term obligations (long-term debt and capitalized lease obligations)	\$ 294,451	\$ 311,186	\$ 279,032	\$ 248,026	\$ 280,010
Stockholders' equity	\$ 404,623	\$ 377,004	\$ 350,559	\$ 349,019	\$ 331,600
Stockholders' equity per share (3)	\$ 33.20	\$ 31.14	\$ 27.36	\$ 27.23	\$ 25.26
Return on stockholders' equity (4)	8.85%	13.51%	0.79%	9.50%	10.87%
Common stock high price (5)	\$ 43.20	\$ 43.78	\$ 45.70	\$ 46.33	\$ 51.29
Common stock low price (5)	\$ 25.06	\$ 32.87	\$ 26.28	\$ 30.97	\$ 26.89

- (1) Information presented for fiscal 2009 reflects our acquisition on January 31, 2009, from GSC Enterprises, Inc., of three distribution centers which service military commissaries and exchanges. More generally, discussion regarding the comparability of information presented in the table above or material uncertainties that could cause the selected financial data not to be indicative of future financial condition or results of operations can be found in Part 1, Item 1A of this report, "Risk Factors," Part II, Item 7 of this report, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 8 of this report in our Consolidated Financial Statements and notes thereto.
- (2) Effect of adoption of revisions to ASC Topic 718 in fiscal 2006.
- (3) Based on outstanding shares at year-end.
- (4) Return based on continuing operations.
- (5) High and low closing sales price on NASDAQ.

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

Overview

In terms of revenue, we are the second largest publicly traded wholesale food distributor in the United States serving the military commissary and exchange systems and the retail grocery industry. Our business consists of three primary operating segments: Military, Food Distribution and Retail.

Our Military segment contracts with manufacturers to distribute a wide variety of grocery products to military commissaries and exchanges located in the United States, the District of Columbia, Europe, Puerto Rico, Cuba, the Azores, Egypt and Bahrain. We have over 30 years of experience acting as a distributor to U.S. military commissaries and exchanges. On January 31, 2009, we completed the purchase from GSC Enterprises, Inc., of substantially all of the assets relating to three wholesale food distribution centers located in San Antonio, Texas, Pensacola, Florida and Junction City, Kansas, including all inventory and customer contracts related to the purchased facilities (“GSC acquisition”). On December 1, 2009, we purchased a facility in Columbus, Georgia which began servicing military commissaries and exchanges in the third quarter of fiscal 2010. During the third quarter of fiscal 2010, we purchased a facility in Bloomington, Indiana and two adjacent facilities in Oklahoma City, Oklahoma for expansion of our military food distribution business. The Bloomington, Indiana facility became operational during the fourth quarter of fiscal 2010, while the Oklahoma City, Oklahoma facilities are scheduled to become operational during the first quarter of fiscal 2012. In addition, we purchased the real estate associated with our Pensacola, Florida and a Norfolk, Virginia facility, which had previously been leased facilities, during the third quarter of fiscal 2010 and the first quarter of fiscal 2011, respectively.

Our Food Distribution segment sells and distributes a wide variety of nationally branded and private label grocery products and perishable food products from 14 distribution centers to approximately 1,500 independent retail locations located in 29 states, primarily in the Midwest and Southeast regions of the United States.

Our Retail segment operated 46 corporate-owned stores primarily in the Upper Midwest as of December 31, 2011. Primarily due to highly competitive conditions in which supercenters and other alternative formats compete for price conscious customers, we closed or sold four retail stores in 2009, two retail stores in 2010 and six retail stores in 2011. We are implementing initiatives of varying scope and duration with a view toward improving our response to and performance under these highly competitive conditions. These initiatives include designing and reformatting some of our retail stores into alternative formats to increase overall retail sales performance. As we continue to assess the impact of performance improvement initiatives and the operating results of individual stores, we may need to recognize additional impairments of long-lived assets and goodwill associated with our Retail segment, and may incur restructuring or other charges in connection with closure or sales activities. The Retail segment yields a higher gross profit percent of sales and higher selling, general and administrative (“SG&A”) expenses as a percent of sales compared to our Food Distribution and Military segments. Thus, changes in sales of the Retail segment can have a disproportionate impact on consolidated gross profit and SG&A as compared to similar changes in sales in our Food Distribution and Military segments.

Results of Operations

The following discussion summarizes our operating results for fiscal 2011 compared to fiscal 2010 and fiscal 2010 compared to fiscal 2009.

Sales

The following tables summarize our sales activity for fiscal 2011, 2010 and 2009.

(in millions)	2011			2010			2009	
	Sales	Percent of Sales	Percent Change	Sales	Percent of Sales	Percent Change	Sales	Percent of Sales
Segment Sales:								
Military	\$ 2,340.3	48.7%	2.2%	\$ 2,290.0	45.9%	1.6%	\$ 2,254.4	43.2%
Food Distribution	1,996.9	41.5%	(8.6%)	2,183.7	43.7%	(8.5%)	2,385.9	45.8%
Retail	470.0	9.8%	(9.3%)	518.3	10.4%	(9.4%)	572.3	11.0%
Total Sales	\$ 4,807.2	100.0%	(3.7%)	\$ 4,992.0	100.0%	(4.2%)	\$ 5,212.6	100.0%

Total Company sales declined 3.7% during fiscal 2011 as compared to the prior year period. However, excluding the impact of the sales decrease of \$53.2 million attributable to the previously announced transition of a portion of a Food Distribution customer buying group to another supplier during 2010, and the sales decrease of \$39.1 million due to the sale or closing of seven retail stores, total Company year-to-date comparable sales decreased 1.9% relative to last year.

Total Company sales declined 4.2% during fiscal 2010 as compared to the prior year period. However, excluding the additional sales of \$59.4 million attributable to acquired Military locations during the first quarter 2010 and the previously announced transition of a portion of a Food Distribution customer buying group to another supplier of \$95.2 million during the second quarter 2010, total Company comparable sales declined 3.6% during fiscal 2010.

Fiscal 2011 Military sales increased 2.2% in comparison to fiscal 2010. However, a larger portion of Military sales during the current year have been on a consignment basis, which are included in our reported sales on a net basis. The year-over-year increase in consignment sales was approximately \$15.0 million in fiscal 2011. Including the impact of consignment sales, comparable Military sales increased 2.7% in fiscal 2011 compared to the prior year. The comparable increase in fiscal 2011 Military sales is due to a 6.7% increase in sales overseas and a 1.3% increase in domestic sales.

Fiscal 2010 Military sales increased 1.6% in comparison to the fiscal 2009. However, excluding the non-comparable sales attributable to the acquired locations during the first quarter 2010 of \$59.4 million, fiscal 2010 comparable Military segment sales decreased by 1.1% in comparison to the prior year. The comparable decrease in fiscal 2010 Military sales is due to a 1.4% decrease in domestic sales which was partially offset by a 0.8% increase in sales overseas.

Domestic and overseas sales represented the following percentages of Military segment sales. Note that the business acquired through the GSC acquisition services domestic military bases only.

	2011	2010	2009
Domestic	82.4%	83.1%	83.2%
Overseas	17.6%	16.9%	16.8%

Fiscal 2011 Food Distribution sales decreased 8.6% in comparison to fiscal 2010. However, excluding the impact of the sales decrease of \$53.2 million attributable to the previously announced transition of a portion

of a Food Distribution customer buying group to another supplier during the second quarter 2010, Food Distribution sales declined 6.3%. This decrease was primarily due to account losses exceeding new account gains.

Fiscal 2010 Food Distribution sales decreased 8.5% in comparison to fiscal 2009, which is primarily attributable to the previously announced transition of a portion of a Food Distribution customer buying group to another supplier during the second quarter 2010 which accounted for \$95.2 million in sales during fiscal 2009 and a decline in comparable sales to existing customers. Excluding the impact of the customer transition, Food Distribution sales declined 4.7%. The decrease in comparable sales to existing customers was partially attributable to price deflation in certain product categories.

Retail sales for fiscal 2011 decreased 9.3% in comparison to fiscal 2010. The decrease in Retail sales for fiscal 2011 was primarily attributable to the sale or closing of seven retail stores since the end of the third quarter of 2010. Retail same store sales, which compare retail sales for stores which were in operation for the same number of weeks in the comparative periods decreased by 2.1% in fiscal 2011.

Retail sales for fiscal 2010 decreased 9.4% in comparison to fiscal 2009. The decrease in Retail sales for fiscal 2010 was primarily attributable to a 5.0% decrease in same store sales, which compare retail sales for stores which were in operation for the same number of weeks in the comparative periods, and the closure of two stores during the year.

During fiscal 2011, 2010 and 2009, our corporate store count changed as follows:

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Number of stores at beginning of year	51	53	56
New stores	-	-	1
Acquired stores	1	-	-
Closed or sold stores	(6)	(2)	(4)
Number of stores at end of year	<u>46</u>	<u>51</u>	<u>53</u>

The table excludes corporate-owned stand-alone pharmacies and convenience stores.

Gross Profit

Consolidated gross profit for fiscal 2011 was 7.9% of sales compared to 8.0% for fiscal 2010 and fiscal 2009.

Our fiscal 2011 gross profit margin was negatively affected by 0.3% of sales in comparison to fiscal 2010 due to non-cash LIFO charges which do not impact Consolidated EBITDA. Our overall gross profit margin was also negatively affected by 0.2% of sales during fiscal 2011 due to a sales mix shift between our business segments between the years. This was due to a higher percentage of 2011 sales occurring in the Military segment, which has a lower gross profit margin than the Retail and Food Distribution segments. Excluding the impacts of LIFO and the sales mix shift, our overall gross profit margin improved by 0.4% compared to the prior year period as a result of gains achieved from initiatives that focused on better management of inventories.

The fiscal 2010 gross profit margin remained flat at 8.0% in comparison to the prior year. Our fiscal 2010 gross profit margin was positively impacted by 0.2% of sales driven primarily by higher gross margin performance in our Food Distribution and Military segments. However, our gross profit margin was negatively affected by 0.2% of sales in fiscal 2010 due to a sales mix shift between our business segments between the years. This was due to a higher percentage of 2010 sales occurring in the Military segment which has a lower gross profit margin than the Retail and Food Distribution segments.

Selling, General and Administrative Expense

The following table outlines consolidated SG&A and the significant factors affecting consolidated SG&A:

(in millions except percentages)	Segment	2011		2010		2009	
			% of sales		% of sales		% of sales
SG&A		<u>\$ 261.0</u>	<u>5.4%</u>	<u>\$ 269.1</u>	<u>5.4%</u>	<u>\$ 287.3</u>	<u>5.5%</u>
Significant factors affecting SG&A:							
Restructuring costs related to Food Distribution overhead centralization	Food Distribution	1.6	0.0%	-	0.0%	-	0.0%
Unusual professional fees	Food Distribution /Retail	2.5	0.1%	-	0.0%	-	0.0%
Retail store impairments and lease reserves	Food Distribution /Retail	0.1	0.0%	0.4	0.0%	5.3	0.1%
Gain on sale of assets	Retail	-	0.0%	(0.3)	0.0%	(0.7)	0.0%
Acquisition and conversion costs	Military	0.7	0.0%	1.7	0.0%	1.9	0.0%
Share-based compensation over prior year	All segments	-	0.0%	-	0.0%	1.4	0.0%
Store opening expenses	Retail	-	0.0%	-	0.0%	0.7	0.0%
Food Distribution center closing costs	Food Distribution	-	0.0%	0.8	0.0%	-	0.0%
Tax consulting fees	All segments	-	0.0%	-	0.0%	0.4	0.0%
Loss on write-down of long-lived assets	Retail	2.1	0.0%	-	0.0%	-	0.0%
Total significant factors affecting SG&A		<u>\$ 7.0</u>	<u>0.1%</u>	<u>\$ 2.6</u>	<u>0.1%</u>	<u>\$ 9.0</u>	<u>0.2%</u>

Consolidated SG&A for fiscal 2011 remained flat at 5.4% in comparison to the prior year. Since our Military segment has lower SG&A expenses as a percent of sales compared to our other business segments, our SG&A margin benefited by 0.2% of sales in fiscal 2011 from the sales mix shift between our business segments due to the higher level of Military sales relative to the other business segments in 2011. However, we experienced unusual professional fees of \$2.5 million, a loss on the write-down of long-lived assets of \$2.1 million, and restructuring costs related to Food Distribution overhead centralization of \$1.6 million that negatively impacted our SG&A margin during fiscal 2011.

Consolidated SG&A for fiscal 2010 was 5.4% of sales as compared to 5.5% of sales in fiscal 2009. Since our Military segment has lower SG&A expenses as a percent of sales compared to our other business segments, our SG&A margin benefited by 0.2% of sales in fiscal 2010 from the sales mix shift between our business segments due to the higher level of Military sales relative to the other business segments in 2010. However, we experienced acquisition and conversion costs of \$1.7 million and costs associated with the closing of a Food Distribution center of \$0.8 million that negatively impacted our SG&A margin during fiscal 2010.

Special Charge

A special charge of \$6.0 million was recognized in fiscal 2009 due to asset impairments in our food distribution segment. The charge included write-downs of \$5.5 million to leasehold improvements and \$0.5 million to fixtures and equipment.

Gain on Acquisition of a Business

A gain on the acquisition of a business of \$6.7 million (net of tax) was recognized during fiscal 2009 related to the GSC acquisition. The fair value of the identifiable assets acquired and liabilities assumed of \$84.8 million exceeded the fair value of the purchase price of the business of \$78.1 million. Consequently, we reassessed the recognition and measurement of identifiable assets acquired and liabilities assumed and concluded that the valuation procedures and resulting measures were appropriate.

Gain on Litigation Settlement

A gain of \$7.6 million was recognized in fiscal 2009 related to the settlement of litigation in connection with our 2005 acquisition of certain distribution centers and other assets from Roundy's Supermarkets, Inc ("Roundy's"). This gain represented the reversal of the liability we had recorded in connection with this litigation. Please refer to Part II, Item 8 in this report under Note (15) – "Commitments and Contingencies" of this Form 10-K for additional information.

Goodwill Impairment

Annually, we perform an impairment test of goodwill during the fourth quarter based on conditions as of the end of our third fiscal quarter in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350 ("ASC 350"). No goodwill impairment changes were recorded during fiscal 2011 or fiscal 2010. We recorded a goodwill impairment charge of \$50.9 million in fiscal 2009 that related to our Retail reporting unit. Please refer to Part II, Item 8 in this report under Note (1) – "Summary of Significant Accounting Policies" under the caption "Goodwill and Intangible Assets" of this Form 10-K for additional information pertaining to our annual goodwill impairment analysis.

Depreciation and Amortization Expense

Depreciation and amortization expense for fiscal 2011, 2010 and 2009 was \$35.7 million, \$36.1 million and \$40.6 million, respectively. The decrease in depreciation and amortization expense for fiscal 2011 in comparison to fiscal 2010 is attributable to lower depreciation and amortization expense in our Food Distribution and Retail segments, partially offset by increased depreciation and amortization expense in our Military segment. The decrease in depreciation and amortization expense for fiscal 2010 in comparison to fiscal 2009 is attributable to lower depreciation and amortization expense in our Food Distribution and Retail segments.

Interest Expense

Interest expense increased \$1.5 million to \$24.9 million in fiscal 2011 as compared to \$23.4 million in fiscal 2010. Average borrowing levels increased by \$6.8 million to \$340.4 million during fiscal 2011 from \$333.6 million during fiscal 2010. The effective interest rate was 4.7% for fiscal 2011 as compared to 4.5% for fiscal 2010. The increases in interest expense and the average effective interest rate in fiscal 2011 were primarily due to the write off of \$1.8 million in deferred financing costs during the fourth quarter of fiscal 2011 due to the refinancing of the Company's asset-backed credit agreement. This had the effect of increasing the average effective interest rate for fiscal 2011 by 0.5%.

Interest expense decreased \$1.0 million to \$23.4 million in fiscal 2010 as compared to \$24.4 million in fiscal 2009. Average borrowing levels decreased by \$29.1 million from \$362.7 million during fiscal 2009 to \$333.6 million during fiscal 2010. The effective interest rate was 4.5% for fiscal 2010 as compared to 4.6% for fiscal 2009.

The calculation of our effective interest rates excludes non-cash interest required to be recognized on our senior subordinated convertible notes. Non-cash interest expense recognized was \$5.8 million, \$5.3 million and \$4.9 million during fiscal 2011, 2010 and 2009, respectively. Additionally, the calculation of our average borrowing levels includes the unamortized equity component of our senior subordinated convertible notes that is required to be recognized. The inclusion of the unamortized equity component brings the basis in our senior

subordinated convertible notes to \$150.1 million for purposes of calculating our average borrowing levels, or their aggregate issue price, which we are required to pay semi-annual cash interest on at a rate of 3.50% until March 15, 2013.

Income Tax Expense

The effective tax rate for income from continuing operations was 38.7%, 29.4% and 88.3% for fiscal 2011, 2010 and 2009, respectively. Income tax expense from continuing operations differed from amounts computed by applying the federal income tax rate to pre-tax income as a result of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Federal statutory tax rate	35.0%	35.0%	35.0%
State taxes, net of federal income tax benefit	3.5%	3.7%	4.7%
Non-deductible goodwill	0.2%	-	73.6%
Change in tax contingencies	-	(8.0%)	4.4%
Gain on litigation settlement	-	-	(12.7%)
Gain on acquisition of a business	-	-	(11.2%)
Federal refund claim	-	-	(6.8%)
Other, net	-	(1.3%)	1.3%
Effective tax rate	<u>38.7%</u>	<u>29.4%</u>	<u>88.3%</u>

The effective tax rate for fiscal 2011 was impacted by the reversal of previously unrecognized tax benefits of \$0.1 million primarily due to statute of limitation closures and audit resolutions, an increase in reserves of \$0.1 million and non-deductible goodwill charges of \$0.1 million. The effective tax rate for fiscal 2010 was impacted by the increase in tax reserves of \$3.4 million and the reversal of previously unrecognized tax benefits of \$13.6 million primarily due to statute of limitation expirations and audit resolutions. In fiscal 2009, we increased tax reserves by \$2.7 million and reversed previously unrecognized tax benefits of \$0.2 million also, primarily due to state statute of limitation expirations and audit resolutions. Other items impacting the rate in 2009 include a large non-deductible goodwill charge, the litigation settlement related to Roundy's of \$3.0 million, the gain on the acquisition of the GSC assets of \$2.7 million, and a refund on a claim made with the Internal Revenue Service of \$1.7 million.

Net Earnings

Net earnings for fiscal 2011 were \$35.8 million, or \$2.74 per diluted share, compared to net earnings of \$50.9 million, or \$3.86 per diluted share, for fiscal 2010, and net earnings of \$2.8 million, or \$0.21 per diluted share, for fiscal 2009. Net earnings in each of the three years were affected by a number of events included in the discussion above that affected the comparability of results.

Liquidity and Capital Resources

Historically, we have financed our capital needs through a combination of internal and external sources. We expect that cash flow from operations will be sufficient to meet our working capital needs and enable us to reduce our debt, with temporary draws on our revolving credit line needed during the year to build inventories for certain holidays. Longer term, we believe that cash flows from operations, short-term bank borrowings, various types of long-term debt and lease and equity financing will be adequate to meet our working capital needs, planned capital expenditures and debt service obligations. There can be no assurance, however, that we will continue to generate cash flows at current levels as our business is sensitive to trends in consumer spending at our customer locations and our owned retail food stores, as well as certain factors outside of our control, including, but not limited to, the current and future state of the U.S. and global economy, competition, recent and potential future disruptions to the credit and financial markets in the U.S. and worldwide and continued volatility in food and energy commodities. Please see Part I, Item 1A "Risk Factors" of this Form 10-K for a more detailed discussion of potential factors that may have an impact on our liquidity and capital resources.

The following table summarizes our cash flow activity for fiscal 2011, 2010 and 2009 and should be read in conjunction with the consolidated statements of cash flows:

(In thousands)	2011	2010	2009
Net cash provided by operating activities	\$ 121,147	\$ 66,116	\$ 102,373
Net cash used in investing activities	(83,609)	(57,938)	(105,670)
Net cash provided by (used in) financing activities	(37,595)	(8,178)	3,303
Net change in cash and cash equivalents	<u>\$ (57)</u>	<u>\$ -</u>	<u>\$ 6</u>

Operating cash flows were \$121.1 million for fiscal 2011, an increase of \$55.0 million from \$66.1 million in fiscal 2010. A decrease in our investment in our inventories of \$11.7 million during fiscal 2011 as compared to an increase in our inventories of \$47.8 million during fiscal 2010 is the primary factor driving the increase in operating cash flows during fiscal 2011 as compared to fiscal 2010. The decrease in our inventories during fiscal 2011 was due to more effective inventory management, while the increase during fiscal 2010 was driven by expansion activities associated with our Military business.

Operating cash flows were \$66.1 million for fiscal 2010, a decrease of \$36.3 million from \$102.4 million in fiscal 2009. An increase in our investment in inventories of \$47.8 million during fiscal 2010 as compared to a decline in our inventories of \$21.1 million during fiscal 2009 is the primary factor driving the decline in operating cash flows during fiscal 2010 as compared to fiscal 2009. The increase in our inventories during fiscal 2010 was primarily driven by expansion activities associated with our Military business. However, the impact our inventory investment had on our operating cash flows was partially offset by a year-over-year decline in our accounts receivable of \$20.9 million.

Cash used for investing activities was \$83.6 million in fiscal 2011, which consisted primarily of additions to property, plant and equipment of \$68.6 million, loans to customers of \$11.0 million and the acquisition of Retail segment properties totaling \$8.8 million. The additions to property, plant and equipment during fiscal 2011 consisted primarily of our purchase of our Norfolk, Virginia property during the first quarter of fiscal 2011, which had previously been a leased location, and expansion activities associated with our Military segment, primarily construction costs related to our Oklahoma City, Oklahoma facility. Cash used for investing activities was \$57.9 million in fiscal 2010, which consisted primarily of additions to property, plant and equipment of \$59.3 million. The additions to property, plant and equipment during fiscal 2010 consisted primarily of expansion activities associated with our Military segment, including the purchase of new facilities in Bloomington, Indiana and Oklahoma City, Oklahoma, the addition of fixtures and equipment and conversion activities associated with our Columbus, Georgia facility, and our purchase of our Pensacola, Florida property, which had previously been a leased location. Cash used for investing activities was \$105.7 million in fiscal 2009, which was primarily attributable to the GSC acquisition of \$78.1 million and additions to property, plant and equipment of \$30.4 million.

Cash used by financing activities was \$37.6 million for fiscal 2011, which consisted primarily of \$19.6 million in net payments of long-term debt, \$8.7 million used to pay dividends on our common stock and \$3.8 million in deferred financing costs related to the refinancing of the Company's asset-based revolving credit facility. Cash used by financing activities was \$8.2 million for fiscal 2010 which consisted primarily of \$22.0 million used to repurchase shares of our common stock and \$8.9 million in dividend payments, which were partially offset by net proceeds of long-term debt of \$29.4 million. Cash provided by financing activities was \$3.3 million for fiscal 2009 which consisted primarily of net proceeds of long-term debt of \$29.9 million, a decrease in outstanding checks of \$10.1 million and \$9.2 million used to pay dividends on our common stock.

Share Repurchase

On November 10, 2009, our Board of Directors approved a share repurchase program authorizing the Company to spend up to \$25.0 million to purchase shares of the Company's common stock ("2009 Repurchase Program"). The 2009 Repurchase Program took effect on November 16, 2009 and expired on December 31, 2010. During fiscal 2010, we repurchased a total of 643,234 shares for \$22.8 million, at an average price per

share of \$35.42. During fiscal 2009, we repurchased a total of 30,720 shares for \$1.0 million, at an average price per share of \$33.10.

The average prices per share referenced above include commissions.

Contractual Obligations and Commercial Commitments

The following table summarizes our significant contractual cash obligations as of December 31, 2011, and the expected timing of cash payments related to such obligations in future periods:

(in thousands)	Amount Committed By Period				
	Total Amount Committed	Fiscal 2012	Fiscal 2013- 2014	Fiscal 2015- 2016	Thereafter
Contractual Cash Obligations:					
Long-Term Debt (1)	\$ 279,141	\$ 595	\$ 665	\$ 135,400	\$ 142,481
Interest on Long-Term Debt (2)	195,328	8,733	17,593	18,208	150,794
Capital Lease Obligations (3) (4)	27,746	4,332	7,203	6,235	9,976
Operating Leases (3)	74,587	19,402	28,201	16,831	10,153
Benefit Obligations (5)	32,838	3,361	6,554	6,575	16,348
Purchase Obligations (6)	13,278	6,895	2,721	1,838	1,824
Total (7)	<u>\$ 622,918</u>	<u>\$ 43,318</u>	<u>\$ 62,937</u>	<u>\$ 185,087</u>	<u>\$ 331,576</u>

- (1) Refer to Part II, Item 8 in this report under Note (7) – “Long-term Debt and Bank Credit Facilities” for additional information regarding long-term debt.
- (2) The interest on long-term debt for periods subsequent to fiscal 2016 reflects our Senior Subordinated Convertible Debt accreted interest for fiscal 2017 through 2035, should the convertible debt remain outstanding until maturity. Interest payments assume debt is held to maturity. For variable rate debt the current interest rates applicable as of December 31, 2011, were assumed for the remainder of the term.
- (3) Lease obligations primarily relate to store locations for our Retail segment, as well as store locations subleased to independent food distribution customers. A discussion of lease commitments can be found in Part II, Item 8 in this report under Note (12) – “Leases” in the Notes to Consolidated Financial Statements and under the caption “Lease Commitments” in the Critical Accounting Policies section below.
- (4) Includes amounts classified as imputed interest.
- (5) Our benefit obligations include obligations related to third-party sponsored defined benefit pension and post-retirement benefit plans. For a further discussion see Part II, Item 8 in this report under Note (17) – “Pension and Other Post-retirement Benefits” in the Notes to Consolidated Financial Statements.
- (6) The amount of purchase obligations shown in the table represents the amount of product we are contractually obligated to purchase. The majority of our purchase obligations involve purchase orders made in the ordinary course of business, which are not included in the table above. Our purchase orders are based on our current needs and are fulfilled by our vendors within very short time horizons. The purchase obligations shown in this table also exclude agreements that are cancelable by us without significant penalty, which include contracts for routine outsourced services.
- (7) Payments for reserved tax contingencies are not included as the timing of specific tax payments is not determinable.

We have also made certain commercial commitments that extend beyond 2011. These commitments include standby letters of credit and guarantees of certain food distribution customer debt and lease obligations. The following summarizes these commitments as of December 31, 2011:

Other Commercial Commitments (in thousands)	Total Amount Committed	Commitment Expiration Per Period			
		Fiscal 2012	Fiscal 2013-2014	Fiscal 2015-2016	Thereafter
Standby Letters of Credit (1)	\$ 10,963	\$ 4,986	\$ 5,977	\$ -	\$ -
Guarantees (2)	24,134	4,056	7,235	5,631	7,212
Total Other Commercial Commitments	<u>\$ 35,097</u>	<u>\$ 9,042</u>	<u>\$ 13,212</u>	<u>\$ 5,631</u>	<u>\$ 7,212</u>

- (1) Letters of credit relate primarily to supporting workers' compensation obligations.
- (2) Refer to Part II, Item 8 of this report under Note (13) – "Concentration of Credit Risk" in the Notes to Consolidated Financial Statements and under the caption "Guarantees of Debt and Lease Obligations of Others" in the Critical Accounting Policies section below for additional information regarding debt guarantees, lease guarantees and assigned leases.

Asset-backed Credit Agreement

On December 21, 2011, the Company and its subsidiaries entered into a credit agreement and related security and other agreements with Wells Fargo and the Lenders party thereto (the "Credit Agreement"), providing for a \$520.0 million revolving asset-based credit facility, which includes a \$50.0 million Swing Line sub-facility and a \$75.0 million letter of credit sub-facility (the "Revolving Credit Facility"). We are required to maintain a reserve of \$100.0 million with respect to the Senior Subordinated Convertible Debt, which reserve shall increase to \$150.0 million commencing on December 15, 2012. Provided no event of default is then existing or would arise, the Company may from time-to-time, request that the Revolving Credit Facility be increased by an aggregate amount (for all such requests) not to exceed \$250.0 million. On December 21, 2011, the Company (a) borrowed \$151.7 million under the Revolving Credit Facility to pay-off outstanding principal and interest due pursuant to the credit agreement among the Company, various Lenders, Bank of America, N.A., as Administrative Agent, et al, dated as of April 11, 2008 (the "B of A Credit Agreement"), to pay closing costs and for other general corporate purposes and (b) rolled forward its existing letters of credit totaling \$11.0 million into the new Credit Agreement. The Credit Agreement is collateralized by a first priority perfected security interest on all real and personal property of the Company and its subsidiaries, including (i) a perfected pledge of all of the equity interests held by the Company and its subsidiaries and (ii) mortgages encumbering certain real estate owned by the Company, subject to certain exceptions. The obligations of the Company and its subsidiaries under the Credit Agreement are unconditionally cross-guaranteed by the Company and its subsidiaries.

The syndicate of lenders includes: Wells Fargo Capital Finance, LLC, as Administrative Agent, Collateral Agent, Swing Line Lender, Wells Fargo Bank, N.A. and Bank of America, N.A. as L/C Issuers, JPMorgan Chase Bank, N.A. and BMO Harris Bank, N.A. as Syndication Agents, Bank of America, N.A. and Barclays Bank PLC as Documentation Agents, and Wells Fargo Capital Finance, LLC, J.P. Morgan Securities LLC, BMO Capital Markets and Merrill Lynch, Pierce, Fenner and Smith Incorporated as Joint Lead Arrangers and Joint Book Managers.

The principal amount outstanding under the Revolving Credit Facility, plus interest accrued and unpaid thereon, will be due and payable in full at maturity on December 21, 2016. The Company can elect, at the time of borrowing, for loans to bear interest at a rate equal to either base rate or LIBOR plus a margin. The LIBOR interest rate margin currently is 1.75%, but the LIBOR interest rate margin will become adjustable after March 25, 2012. Once the margin becomes adjustable, it can vary quarterly in 0.25% increments between three pricing levels ranging from 1.50% to 2.00% based on the Excess Availability, which is defined in the Credit Agreement as (a) the lesser of (i) the borrowing base; or (ii) the aggregate commitments; minus (b) the aggregate of the outstanding credit extensions.

The Credit Agreement contains no financial covenants unless and until (i) the continuance of an event of default under the Credit Agreement, or (ii) the failure of the Company to maintain Excess Availability equal

to or greater than 10% of the borrowing base at any time, in which event, the Company must comply with a trailing 12-month basis consolidated fixed charge covenant ratio of 1.0 : 1.0, which ratio shall continue to be tested each period thereafter until Excess Availability exceeds 10% of the borrowing base for three consecutive fiscal periods.

The Credit Agreement contains usual and customary covenants for a facility of this type requiring the Company and its subsidiaries, among other things, to maintain collateral, comply with applicable laws, keep proper books and records, preserve corporate existence, maintain insurance and pay taxes in a timely manner. Events of default under the Credit Agreement are usual and customary for transactions of this type, subject to, in specific instances, materiality and cure periods including, among other things: (a) any failure to pay principal thereunder when due or to pay interest or fees on the due date; (b) material misrepresentations; (c) default under other agreements governing material indebtedness of the Company; (d) default in the performance or observation of any covenants; (e) any event of insolvency or bankruptcy; (f) any final judgments or orders to pay more than \$15.0 million that remain unsecured or unpaid; (g) change of control, as defined in the Credit Agreement; and (h) any failure of a collateral document, after delivery thereof, to create a valid mortgage or first-priority lien.

At December 31, 2011, \$273.6 million was available under the Revolving Credit Facility after giving effect to outstanding borrowings and to \$11.0 million of outstanding letters of credit primarily supporting workers' compensation obligations. We are currently in compliance with all covenants contained within the credit agreement.

Our Revolving Credit Facility represents one of our primary sources of liquidity, both short-term and long-term, and the continued availability of credit under that agreement is of material importance to our ability to fund our capital and working capital needs.

Senior Subordinated Convertible Debt

On March 15, 2005, we completed a private placement of \$150.1 million in aggregate issue price (or \$322.0 million aggregate principal amount at maturity) of senior subordinated convertible notes due 2035. The funds were used to finance a portion of the acquisition of the Lima and Westville divisions from Roundy's. The notes are unsecured senior subordinated obligations and rank junior to our existing and future senior indebtedness, including borrowings under our Revolving Credit Facility.

Cash interest at the rate of 3.50% per year is payable semi-annually on the issue price of the notes until March 15, 2013. After that date, cash interest will not be payable, unless contingent cash interest becomes payable, and original issue discount for non-tax purposes will accrue on the notes at a daily rate of 3.50% per year until the maturity date of the notes. On the maturity date of the notes, a holder will receive \$1,000 per note. Contingent cash interest will be paid on the notes during any six-month period, commencing March 16, 2013, if the average market price of a note for a ten trading day measurement period preceding the applicable six-month period equals 130% or more of the accreted principal amount of the note, plus accrued cash interest, if any. The contingent cash interest payable with respect to any six-month period will equal an annual rate of 0.25% of the average market price of the note for the ten trading day measurement period described above.

The notes will be convertible at the option of the holder, only upon the occurrence of certain events, at an adjusted conversion rate of 9.6224 shares (initially 9.3120) of our common stock per \$1,000 principal amount at maturity of notes (equal to an adjusted conversion price of approximately \$48.44 per share). Upon conversion, we will pay the holder the conversion value in cash up to the accreted principal amount of the note and the excess conversion value, if any, in cash, stock or a combination of both, at our option.

We may redeem all or a portion of the notes for cash at any time on or after the eighth anniversary of the issuance of the notes. Holders may require us to purchase for cash all or a portion of their notes on the 8th, 10th, 15th, 20th and 25th anniversaries of the issuance of the notes. In addition, upon specified change in control events, each holder will have the option, subject to certain limitations, to require us to purchase for cash all or any portion of such holder's notes.

In connection with the closing of the sale of the notes, we entered into a registration rights agreement with the initial purchasers of the notes. In accordance with that agreement, we filed with the Securities and Exchange Commission on July 13, 2005, a shelf registration statement covering the resale by security holders of the notes and the common stock issuable upon conversion of the notes. The shelf registration statement was declared effective by the Securities and Exchange Commission on October 5, 2005. Our contractual obligation, however, to maintain the effectiveness of the shelf registration statement has expired. As a result, we removed from registration, by means of a post-effective amendment filed on July 24, 2007, all notes and common stock that remained unsold at such time.

Debt Obligations

For debt obligations, the following table presents principal cash flows, related weighted average interest rates by expected maturity dates and fair value as of December 31, 2011:

(in thousands)	Fixed Rate			Variable Rate		
	Fair Value	Amount	Rate	Fair Value	Amount	Rate
2012		\$ 595	5.9%		\$ -	-
2013		625	5.8%		-	-
2014		40	5.6%		-	-
2015		-	-		-	-
2016		-	-		135,400	2.5%
Thereafter		142,481	3.5%		-	-
	<u>\$ 140,912</u>	<u>\$ 143,741</u>		<u>\$ 135,400</u>	<u>\$ 135,400</u>	

Consolidated EBITDA (Non-GAAP Measurement)

The following is a reconciliation of EBITDA and Consolidated EBITDA to net earnings for fiscal 2011, 2010 and 2009 (amounts in thousands):

	2011	2010	2009
Net earnings	\$ 35,805	\$ 50,941	\$ 2,778
Income tax expense	22,623	21,185	20,972
Interest expense	24,894	23,403	24,372
Depreciation and amortization	35,704	36,119	40,603
EBITDA	119,026	131,648	88,725
LIFO charge (credit)	14,220	53	(3,033)
Lease reserves	755	320	3,135
Goodwill impairment	-	-	50,927
Asset impairments	553	937	2,460
Net loss (gain) on sale of real estate and other assets	1,340	-	(54)
Gain on acquisition of a business	-	-	(6,682)
Gain on litigation settlement	-	-	(7,630)
Share-based compensation	5,429	7,871	9,084
Special charges	-	-	6,020
Settlement of pre-acquisition contingency	-	(310)	-
Subsequent cash payments on non-cash charges	(2,095)	(3,055)	(2,815)
Total Consolidated EBITDA	<u>\$ 139,228</u>	<u>\$ 137,464</u>	<u>\$ 140,137</u>

EBITDA and Consolidated EBITDA are measures used by management to measure operating performance. EBITDA is defined as net earnings before interest, taxes, depreciation, and amortization. Consolidated EBITDA excludes certain non-cash charges and other items that management does not utilize in assessing operating performance and is a metric used to determine payout of performance units pursuant to our Short-Term and Long-Term Incentive Plans. The above table reconciles net earnings to EBITDA and Consolidated EBITDA. Not all companies utilize identical calculations; therefore, the presentation of EBITDA and Consolidated EBITDA may not be comparable to other identically titled measures of other companies. Neither EBITDA or Consolidated EBITDA are recognized terms under GAAP and do not purport to be an alternative to net earnings as an indicator of operating performance or any other GAAP measure. In addition, EBITDA and Consolidated EBITDA are not intended to be measures of free cash flow for management's discretionary use since they do not consider certain cash requirements, such as interest payments, tax payments and capital expenditures.

Free Cash Flow as a percentage of Net Assets (Non-GAAP Measurement)

The following is a reconciliation of Free Cash Flow to cash provided by operations and a reconciliation of Net Assets to Total Assets:

(In thousands)		
	52 Weeks Ended	
Free cash flow / Net assets	<u>December 31, 2011</u>	
Net cash provided by operations	\$ 121,147	
Less capital expenditures	(68,600)	
Free cash flow	<u>\$ 52,547</u>	
Strategic project adjustment (trailing 4 quarters)	47,547	
Adjusted free cash flow (trailing 4 quarters)	<u>\$ 100,094</u>	
Net assets	<u>December 31, 2011</u>	<u>January 1, 2011</u>
Total assets	\$ 1,073,768	1,050,675
Less current liabilities	(299,113)	(293,242)
Plus current maturities of long-term debt and capitalized lease obligations	<u>2,932</u>	<u>3,159</u>
Net assets	<u>\$ 777,587</u>	<u>760,592</u>
Strategic project adjustment	(47,547)	(52,985)
Adjusted net assets	<u>\$ 730,040</u>	<u>707,607</u>
Average net assets (simple average)	<u>\$ 769,090</u>	
Adjusted average net assets (simple average)	<u>\$ 718,824</u>	
Free cash flow/ net assets	<u>6.8%</u>	
Free cash flow/ net assets (ex. strategic projects)	<u>13.9%</u>	

Free cash flow and the ratio of free cash flow to net assets are measures used by management to measure operating performance. Our free cash flow to net assets ratio is defined as cash provided from operations less capital expenditures for property, plant and equipment during the trailing four quarters divided by the average Net Assets for the current period and prior year comparable period (total assets less current liabilities plus current portion of long-term debt and capital leases). Free cash flow is not a recognized term under GAAP and does not purport to be an alternative to net earnings as an indicator of operating performance or any other GAAP measure. In addition, free cash flow is not intended to represent the residual cash flow available for discretionary expenditures as certain non-discretionary expenditures, including debt service payments, are not deducted from the measure. The strategic project adjustment is defined as capital expenditures related to strategic projects.

Derivative Instruments

We have market risk exposure to changing interest rates primarily as a result of our borrowing activities and commodity price risk associated with anticipated purchases of diesel fuel. Our objective in managing our exposure to changes in interest rates and commodity prices is to reduce fluctuations in earnings and cash flows. From time-to-time we use derivative instruments, primarily interest rate swap agreements and fixed price fuel supply agreements, to manage risk exposures when appropriate, based on market conditions. We do not enter into derivative agreements for trading or other speculative purposes, nor are we a party to any leveraged derivative instrument.

We entered into two interest rate swap agreements on October 15, 2010 with notional amounts totaling \$17.5 million. The term of the agreements was for one year, and they expired on October 15, 2011. During the term of the agreements, these agreements were designated as cash flow hedges and were reflected at fair value in our Consolidated Balance Sheet and the related gains or losses on these contracts were deferred in stockholders'

equity as a component of other comprehensive income. Deferred gains and losses were amortized as an adjustment to expense over the same period in which the related items being hedged were recognized in income. However, to the extent that any of these contracts were not considered to be effective in accordance with ASC Topic 815 (“ASC 815”) in offsetting the change in the value of the items being hedged, any changes in fair value relating to the ineffective portion of these contracts were immediately recognized in income.

As of December 31, 2011, there were no interest rate swap agreements in existence. The two commodity swap agreements in place during fiscal 2011 with notional amounts totaling \$17.5 million expired during the fourth quarter and were settled for fair market value.

In addition to the previously discussed interest rate swap agreements, from time-to-time we enter into fixed price fuel supply agreements to support our Food Distribution segment. On January 1, 2009, we entered into an agreement which required us to purchase a total of 252,000 gallons of diesel fuel per month at prices ranging from \$1.90 to \$1.98 per gallon. The term of the agreement was for one year and expired on December 31, 2009. The fixed price fuel agreement qualified for the “normal purchase” exception under ASC 815, therefore the fuel purchases under the contract were expensed as incurred as an increase to cost of sales.

Off-Balance Sheet Arrangements

As of the date of this report, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, often referred to as structured finance or special purpose entities, which are generally established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that may not be readily apparent from other sources. Senior management has discussed the development, selection and disclosure of these estimates with the Audit and Finance Committee of our Board of Directors and with our independent auditors.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our financial statements. We consider the following accounting policies to be critical and could result in materially different amounts being reported under different conditions or using different assumptions:

Customer Exposure and Credit Risk

Allowance for Doubtful Accounts – Methodology. We evaluate the collectability of our accounts and notes receivable based on a combination of factors. In most circumstances when we become aware of factors that may indicate a deterioration in a specific customer’s ability to meet its financial obligations to us (e.g., reductions of product purchases, deteriorating store conditions, changes in payment patterns), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In determining the adequacy of the reserves, we analyze factors such as the value of any collateral, customer financial statements, historical collection experience, aging of receivables and other economic and industry factors. It is possible that the accuracy of the estimation process could be materially affected by different judgments as to the collectability based on information considered and further deterioration of accounts. If circumstances change (i.e., further evidence of material adverse creditworthiness, additional accounts become credit risks, store closures), our estimates of the recoverability of amounts due us could be reduced by a material amount, including to zero.

As of December 31, 2011, we have recorded an allowance for doubtful accounts reserve for our accounts and notes receivables of \$6.7 million as compared to \$6.2 million as of January 1, 2011. During fiscal 2011, we recorded additional allowance for doubtful account reserves of \$0.6 million and experienced write-offs of \$0.1 million.

Lease Commitments. We have historically leased store sites for sublease to qualified independent retailers at rates that are at least as high as the rent paid by us. Under terms of the original lease agreements, we remain primarily liable for any commitments an independent retailer may no longer be financially able to satisfy. We also lease store sites for our retail segment. Should a retailer be unable to perform under a sublease or should we close underperforming corporate stores, we record a charge to earnings for costs of the remaining term of the lease, less any anticipated sublease income. Calculating the estimated losses requires that significant estimates and judgments be made by management. Our reserves for such properties can be materially affected by factors such as the extent of interested sub-lessees and their creditworthiness, our ability to negotiate early termination agreements with lessors, general economic conditions and the demand for commercial property. Should the number of defaults by sub-lessees or corporate store closures materially increase; the remaining lease commitments we must record could have a material adverse effect on operating results and cash flows. Refer to Part II, Item 8 of this report under Note (12) – “Leases” in the Notes to Consolidated Financial Statements for a discussion of Lease Commitments.

As of December 31, 2011, we have recorded a provision for losses related to leases on closed locations of \$5.5 million as compared to \$6.8 million as of January 1, 2011. During fiscal 2011, we recorded additional provisions for losses related to leases on closed locations of \$0.8 million, which was partially offset by payments made of \$2.1 million.

Guarantees of Debt and Lease Obligations of Others. We have guaranteed the debt and lease obligations of certain Food Distribution customers. In the event these retailers are unable to meet their debt service payments or otherwise experience an event of default, we would be unconditionally liable for the outstanding balance of their debt and lease obligations (\$7.9 million as of December 31, 2011 as compared to \$9.4 million as of January 1, 2011), which would be due in accordance with the underlying agreements.

We have entered into loan and lease guarantees on behalf of certain Food Distribution customers that are accounted for under ASC Topic 460. ASC Topic 460 provides that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligation it assumes under that guarantee. The maximum undiscounted payments we would be required to make in the event of default under the guarantees is \$5.6 million, which is included in the \$7.9 million total referenced above. These guarantees are secured by certain business assets and personal guarantees of the respective customers. We believe these customers will be able to perform under the lease agreements and that no payments will be required and no loss will be incurred under the guarantees. As required by ASC Topic 460, a liability representing the fair value of the obligations assumed under the guarantees of \$0.8 million is included in the accompanying consolidated financial statements. All of the other guarantees were issued prior to December 31, 2002 and therefore not subject to the recognition and measurement provisions of ASC Topic 460.

We have also assigned various leases to certain Food Distribution customers and other third parties. If the assignees were to become unable to continue making payments under the assigned leases, we estimate our maximum potential obligation with respect to the assigned leases, net of reserves, to be approximately \$11.4 million as of December 31, 2011 as compared to \$8.9 million as of January 1, 2011. In circumstances when we become aware of factors that indicate deterioration in a customer’s ability to meet its financial obligations guaranteed or assigned by us, we record a specific reserve in the amount we reasonably believe we will be obligated to pay on the customer’s behalf, net of any anticipated recoveries from the customer. In determining the adequacy of these reserves, we analyze factors such as those described above in “Allowance for Doubtful Accounts – Methodology” and “Lease Commitments.” It is possible that the accuracy of the estimation process could be materially affected by different judgments as to the obligations based on information considered and further deterioration of accounts, with the potential for a corresponding adverse effect on operating results and cash flows. Triggering these guarantees or obligations under assigned leases would not, however, result in cross default of our debt, but could restrict resources available for general business initiatives. Refer to Part II, Item 8

of this report under Note (13) – “Concentration of Credit Risk” in the Notes to Consolidated Financial Statements for more information regarding customer exposure and credit risk.

Impairment of Long-Lived Assets

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts of such long-lived assets may not be recoverable from future net pretax cash flows. Impairment testing requires significant management judgment including estimating future sales and costs, alternative uses for the assets and estimated proceeds from disposal of the assets. Estimates of future results are often influenced by assessments of changes in competition, merchandising strategies, human resources and general market conditions, which may result in not recognizing an impairment loss. Impairment testing is conducted at the lowest level where cash flows can be measured and are independent of cash flows of other assets. An asset impairment would be indicated if the sum of the expected future net pretax cash flows from the use of the asset (undiscounted and without interest charges) is less than the carrying amount of the asset. An impairment loss would be measured based on the difference between the fair value of the asset and its carrying amount. We generally determine fair value by discounting expected future cash flows at a rate which management has determined to be consistent with assumptions used by market participants.

The estimates and assumptions used in the impairment analysis are consistent with the business plans and estimates we use to manage our business operations and to make acquisition and divestiture decisions. The use of different assumptions would increase or decrease the impairment charge. Actual outcomes may differ from the estimates. It is possible that the accuracy of the estimation of future results could be materially affected by different judgments as to competition, strategies and market conditions, with the potential for a corresponding adverse effect on financial condition and operating results.

Goodwill

We maintain three reporting units for purposes of our goodwill impairment testing, which are the same as our reporting segments disclosed in Part II, Item 8 of this report under Note (18) – “Segment Reporting”. Goodwill for each of our reporting units is tested for impairment annually and/or when factors indicating impairment are present, which requires a significant amount of management’s judgment. Such indicators may include a decline in our expected future cash flows, unanticipated competition, the loss of a major customer, slower growth rates or a sustained significant decline in our share price and market capitalization, among others. Any adverse change in these factors could have a significant impact on the recoverability of our goodwill and could have a material impact on our consolidated financial statements.

During fiscal 2009, we began applying the provision of ASC Topic 820 in relation to our goodwill impairment testing by applying, to the extent possible, observable market inputs to arrive at the fair values of our reporting units.

Our fair value for each reporting unit is determined based on an income approach which incorporates a discounted cash flow analysis and a market approach that utilizes current earnings multiples for comparable publically-traded companies. Our income approach is based on an estimate of future cash flows and a terminal value that factors in estimated long-term growth. The estimate of future cash flows are dependent on our knowledge and experience about past and current events and assumptions about conditions we expect to exist, including operating performance, economic conditions, long-term growth rates, capital expenditures, changes in working capital and effective tax rates. The discount rates applied to the income approach reflect a weighted average cost of capital for comparable publicly-traded companies which are adjusted for equity and size risk premiums based on market capitalization.

We have weighted the valuation of our reporting units at 70% based on the income approach and 30% based on the market approach. We believe that this weighting is appropriate since it is often difficult to find other appropriate publicly-traded companies that are similar to our reporting units and it is our view that future discounted cash flows are more reflective of the value of the reporting units.

Our estimates could be materially impacted by factors such as competitive forces, customer behaviors, changes in growth trends and specific industry conditions, with the potential for a corresponding adverse effect on financial condition and operating results potentially resulting in impairment of the goodwill. None of the reporting units are more susceptible to economic conditions than others. The income approach and market approach used to determine fair value are sensitive to changes in discount rates and market trading multiples.

We performed our fiscal 2011 annual impairment test of goodwill during the fourth quarter of fiscal 2011 based on conditions as of the end of our third quarter of fiscal 2011 and determined that no indication of impairment existed in any of our reporting segments. The fair value of the Retail segment was approximately 16% higher than its carrying value, while the Food Distribution segment's fair value exceeded its carrying value by approximately 13% and the Military segment's fair value was approximately 30% higher than its carrying value.

Discount rates applied in our income approach during fiscal 2011 ranged from 9.0% to 10.5% and were reflective of the weighted average cost of capital of comparable publically-trade companies with an adjustment for equity and size premiums based on market capitalization. Growth rates ranged from -2.5% to 2.0%. For the Food Distribution segment to have an indication of impairment the discount rate applied would need to increase by 2.0% or the assumed long-term growth rate would need to decrease by more than 3.0% with a corresponding increase in the discount rate of 1.0%. For the Retail segment to have an indication of impairment the discount rate applied would need to increase by over 1.5% or the assumed long-term growth rate would need to decrease by over 3.0% with a corresponding increase in the discount rate of 1.5%.

While we believe our estimates of fair value of our reporting units are reasonable, there can be no assurance that deterioration in economic conditions, customer relationships or adverse changes to expectations of future performance will not occur, resulting in a goodwill impairment loss. Please refer to Part II, Item 8 in this report under Note (1) – “Summary of Significant Accounting Policies” under the caption “Goodwill and Intangible Assets” of this Form 10-K for additional information pertaining to our annual goodwill impairment analysis.

Income Taxes

When preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. The process involves estimating our actual current tax obligations based on expected income, statutory tax rates and tax planning opportunities in the various jurisdictions in which we operate. In the event there is a significant unusual or one-time item recognized in our results of operations, the tax attributable to that item would be separately calculated and recorded in the period the unusual or one-time item occurred.

We utilize the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse or are settled. A valuation allowance is recorded when it is more likely than not that all or a portion of the deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in our tax provision in the period of change.

We establish reserves when, despite our belief that the tax return positions are fully supportable, certain positions could be challenged and we may ultimately not prevail in defending our positions. These reserves are adjusted in light of changing facts and circumstances, such as the closing of a tax audit or the expiration of statutes of limitations. The effective tax rate includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as, related penalties and interest. These reserves relate to various tax years subject to audit by taxing authorities.

Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized. We recognize potential accrued interest and penalties related to the unrecognized tax benefits in income tax expense.

Reserves for Self Insurance

We are primarily self-insured for workers' compensation, general and automobile liability and health insurance costs. It is our policy to record our self-insurance liabilities based on claims filed and an estimate of claims incurred but not yet reported. Worker's compensation, general and automobile liabilities are actuarially determined on a discounted basis. We have purchased stop-loss coverage to limit our exposure to any significant exposure on a per claim basis. On a per claim basis, our exposure for workers compensation is \$0.6 million, auto liability and general liability is \$0.5 million and for health insurance our exposure is \$0.4 million. Any projection of losses concerning workers' compensation, general and automobile and health insurance liability is subject to a considerable degree of variability. Among the causes of this variability are unpredictable external factors affecting future inflation rates, litigation trends, legal interpretations, benefit level changes and claim settlement patterns. Although our estimates of liabilities incurred do not anticipate significant changes in historical trends for these variables, such changes could have a material impact on future claim costs and currently recorded liabilities. A 100 basis point change in discount rates would increase our liability by approximately \$0.2 million.

Vendor Allowances and Credits

As is common in our industry, we use a third party service to undertake accounts payable audits on an ongoing basis. These audits examine vendor allowances offered to us during a given year as well as cash discounts, freight allowances and duplicate payments and establish a basis for us to recover overpayments made to vendors. We reduce future payments to vendors based on the results of these audits, at which time we also establish reserves for commissions payable to the third party service provider as well as for amounts that may not be collected. We also establish reserves for future repayments to vendors for disputed payment deductions related to accounts payable audits, promotional allowances and other items. Although our estimates of reserves do not anticipate changes in our historical payback rates, such changes could have a material impact on our currently recorded reserves.

Share-based Compensation

The Company is required to estimate the fair value of share-based payment awards on the date of grant. The Company uses the grant date market value per share of our common stock to estimate the fair value of Restricted Stock Units (RSUs) and performance units granted pursuant to its long-term incentive plan (LTIP). The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options. No options were granted during fiscal years 2011, 2010 or 2009 and no options were outstanding as of December 31, 2011. The Company uses a lattice model to estimate the fair value of stock appreciation rights (SARs) which contain market conditions. The value of the portion of the awards ultimately expected to vest is recognized as expense over the requisite service period which is derived from the data in the lattice valuation model. Share-based compensation is based on awards ultimately expected to vest, and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ materially from those estimates. Significant judgment is required in selecting the assumptions used for estimating fair value of share-based compensation as well estimating forfeiture rates. Further, any awards with performance conditions that can affect vesting also add additional judgment in determining the amount expected to vest. There can be significant volatility in many of our assumptions and therefore our estimates of fair value, forfeitures, etc. are sensitive to changes in these assumptions.

Please refer to Part II, Item 8 in this Form 10-K under Note (10) – “Share-based Compensation Plans” for a comprehensive discussion related to our share-based compensation plans.

New Accounting Standards

There have been no recently adopted accounting standards that have resulted in a material impact to the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure in the financial markets consists of changes in interest rates relative to our investment in notes receivable, the balance of our debt obligations outstanding and derivatives employed from time to time to manage our exposure to changes in interest rates and diesel fuel prices. We do not use financial instruments or derivatives for any trading or other speculative purposes.

We carry notes receivable because, in the normal course of business, we make long-term loans to certain retail customers. Substantially all notes receivable are based on floating interest rates which adjust to changes in market rates. As a result, the carrying value of notes receivable approximates market value. Refer to Part II, Item 8 of this report under Note (6) – “Accounts and Notes Receivable” in the Notes to Consolidated Financial Statements for more information.

The table below provides information about our debt obligations that are sensitive to changes in interest rates. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates.

(in millions, except rates)	December 31, 2011							
	Fair Value	Total	2012	2013	2014	2015	2016	Thereafter
Debt with variable interest rate:								
Principal payable	\$ 135.4	\$ 135.4	\$ -	\$ -	\$ -	\$ -	\$ 135.4	\$ -
Average variable rate payable		2.5%					2.5%	
Debt with fixed interest rates:								
Principal payable	\$ 140.9	\$ 143.7	\$ 0.6	\$ 0.6	\$ -	\$ -	\$ -	\$ 142.5
Average fixed rate payable		3.5%	5.9%	5.8%	5.6%			3.5%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Nash-Finch Company

We have audited the accompanying consolidated balance sheets of Nash-Finch Company (a Delaware Corporation) and subsidiaries (collectively, the Company) as of December 31, 2011 and January 1, 2011, and the related consolidated statement of income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2011. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Part IV, Item 15(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nash-Finch Company and subsidiaries as of December 31, 2011 and January 1, 2011, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 1, 2012, expressed an unqualified opinion thereon.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 1, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Nash-Finch Company

We have audited the accompanying consolidated statements of income, stockholders' equity, and cash flows of Nash-Finch Company and subsidiaries (collectively, the Company) for the year ended January 2, 2010. Our audits also included the financial statement schedule referenced in Part IV, Item 15(2) of this report. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Nash-Finch Company and subsidiaries for the year ended January 2, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

Minneapolis, Minnesota

March 4, 2010, except as to Note 18, as to which the date is March 3, 2011

NASH FINCH COMPANY AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except per share amounts)

Fiscal years ended December 31, 2011, 1, 2011 and January 2, 2010	January	2011	2010	2009
Sales		\$ 4,807,215	\$ 4,991,979	\$ 5,212,655
Cost of sales		4,427,189	4,591,191	4,793,967
Gross profit		<u>380,026</u>	<u>400,788</u>	<u>418,688</u>
Other costs and expenses:				
Selling, general and administrative		261,000	269,140	287,328
Special charges		-	-	6,020
Gain on acquisition of a business		-	-	(6,682)
Gain on litigation settlement		-	-	(7,630)
Goodwill impairment		-	-	50,927
Depreciation and amortization		35,704	36,119	40,603
Interest expense		24,894	23,403	24,372
Total other costs and expenses		<u>321,598</u>	<u>328,662</u>	<u>394,938</u>
Earnings before income taxes		58,428	72,126	23,750
Income tax expense		<u>22,623</u>	<u>21,185</u>	<u>20,972</u>
Net earnings		<u>\$ 35,805</u>	<u>\$ 50,941</u>	<u>\$ 2,778</u>
Net earnings per share:				
Basic		\$ 2.80	\$ 3.97	\$ 0.21
Diluted		2.74	3.86	0.21
Declared dividends per common share		\$ 0.72	\$ 0.72	\$ 0.72
Weighted average number of common shares outstanding and common equivalent shares outstanding:				
Basic		12,808	12,819	13,007
Diluted		13,068	13,186	13,378

See accompanying notes to consolidated financial statements.

NASH FINCH COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except per share amounts)

<i>Assets</i>	December 31, 2011	January 1, 2011
<i>Current Assets:</i>		
Cash	\$ 773	\$ 830
Accounts and notes receivable, net	243,763	233,436
Inventories	308,621	333,146
Prepaid expenses and other	17,329	15,817
Deferred tax assets	6,896	8,281
Total current assets	<u>577,382</u>	<u>591,510</u>
Notes receivable, net	23,221	20,350
<i>Property, plant and equipment:</i>		
Property, plant and equipment	686,794	649,256
Less accumulated depreciation and amortization	<u>(413,695)</u>	<u>(409,190)</u>
Net property, plant and equipment	273,099	240,066
Goodwill	170,941	167,166
Customer contracts & relationships, net	15,399	18,133
Investment in direct financing leases	2,677	2,948
Other assets	11,049	10,502
Total assets	<u>\$ 1,073,768</u>	<u>\$ 1,050,675</u>
 <i>Liabilities and Stockholders' Equity</i>		
<i>Current liabilities:</i>		
Current maturities of long-term debt and capitalized lease obligations	\$ 2,932	\$ 3,159
Accounts payable	234,722	230,082
Accrued expenses	61,459	60,001
Total current liabilities	<u>299,113</u>	<u>293,242</u>
Long-term debt	278,546	292,266
Capital lease obligations	15,905	18,920
Deferred tax liability, net	40,671	36,344
Other liabilities	34,910	32,899
Commitments and contingencies	-	-
<i>Stockholders' equity:</i>		
Preferred stock -- no par value		
Authorized 500 shares; none issued	-	-
Common stock of \$1.66 2/3 par value		
Authorized 50,000 shares, issued 13,727 and 13,677 shares, respectively	22,878	22,796
Additional paid-in capital	118,222	114,799
Common stock held in trust	(1,254)	(1,213)
Deferred compensation obligations	1,254	1,213
Accumulated other comprehensive loss	(14,707)	(10,984)
Retained earnings	330,470	303,584
Common stock in treasury, 1,541 and 1,569 shares, respectively	<u>(52,240)</u>	<u>(53,191)</u>
Total stockholders' equity	<u>404,623</u>	<u>377,004</u>
Total liabilities and stockholders' equity	<u>\$ 1,073,768</u>	<u>\$ 1,050,675</u>

See accompanying notes to consolidated financial statements.

NASH FINCH COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

Fiscal Years Ended December 31, 2011, January 1, 2011 and January 2, 2010

	2011	2010	2009
Operating activities:			
Net earnings	\$ 35,805	\$ 50,941	\$ 2,778
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Special charges -- non cash portion	-	-	6,020
Impairment of retail goodwill	-	-	50,927
Gain on acquisition of a business	-	-	(6,682)
Gain on litigation settlement	-	-	(7,630)
Depreciation and amortization	35,704	36,119	40,603
Amortization of deferred financing costs	3,597	1,834	1,779
Non-cash convertible debt interest	5,771	5,346	4,944
Rebateable loans	3,471	4,096	4,095
Provision for bad debts	811	808	1,411
Provision for lease reserves	755	320	3,136
Deferred income tax expense (benefit)	5,712	12,211	(10,764)
Loss (gain) on sale of property, plant and equipment	1,357	(503)	(137)
LIFO charge (credit)	14,220	53	(3,033)
Asset impairments	553	937	2,460
Share-based compensation	5,429	7,871	9,084
Deferred compensation	883	1,075	1,223
Other	(689)	(753)	(151)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts and notes receivable	(6,758)	14,659	(6,250)
Inventories	11,670	(47,756)	21,143
Prepaid expenses	(1,122)	1,913	(1,081)
Accounts payable	4,083	(9,963)	(8,178)
Accrued expenses	(2,283)	809	(12,367)
Income taxes payable	(389)	(9,384)	6,854
Other assets and liabilities	2,567	(4,517)	2,189
Net cash provided by operating activities	<u>121,147</u>	<u>66,116</u>	<u>102,373</u>
Investing activities:			
Disposal of property, plant and equipment	3,949	783	830
Additions to property, plant and equipment	(68,600)	(59,295)	(30,402)
Business acquired, net of cash	(8,818)	-	(78,056)
Loans to customers	(11,008)	(1,368)	(2,350)
Payments from customers on loans	1,521	2,366	4,769
Corporate-owned life insurance, net	(653)	(427)	(461)
Other	-	3	-
Net cash used in investing activities	<u>(83,609)</u>	<u>(57,938)</u>	<u>(105,670)</u>
Financing activities:			
Proceeds from (payments of) revolving debt	(18,700)	30,000	30,500
Dividends paid	(8,739)	(8,930)	(9,239)
Proceeds from exercise of stock options	-	-	196
Repurchase of common stock	-	(21,970)	(1,017)
Proceeds from long-term debt	151,500	-	-
Payments of long-term debt	(152,366)	(628)	(595)
Payments of capitalized lease obligations	(2,765)	(3,529)	(3,436)
Decrease in outstanding checks	(1,593)	(3,083)	(10,065)
Payments of deferred financing costs	(3,781)	-	(2,874)
Tax shortfall from share-based compensation	(41)	(38)	(167)
Other	(1,110)	-	-
Net cash provided by (used in) financing activities	<u>(37,595)</u>	<u>(8,178)</u>	<u>3,303</u>
Net increase (decrease) in cash	(57)	-	6
Cash at beginning of year	830	830	824
Cash at end of year	<u>\$ 773</u>	<u>\$ 830</u>	<u>\$ 830</u>

See accompanying notes to consolidated financial statements.

NASH FINCH COMPANY
Consolidated Statements of Stockholders' Equity
(In thousands, except per share amounts)

Fiscal years ended December 31, 2011, January 1, 2011 and January 2, 2010	Common stock (shares outstanding)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balance at January 3, 2009	12,818	\$ 22,776	\$ 98,048	\$ 268,562	\$ (10,876)	\$ (29,490)	\$ 349,020
Net earnings		-	-	2,778	-	-	2,778
Other comprehensive income:							
Deferred loss on hedging activities, net of tax of \$304	-	-	-	-	475	-	475
Minimum pension liability adjustment, net of tax of (\$194)	-	-	-	-	(303)	-	(303)
Minimum other post-retirement liability adjustment, net of tax of (\$33)	-	-	-	-	(52)	-	(52)
Comprehensive income							2,898
Dividends declared of \$.72 per share	-	-	-	(9,239)	-	-	(9,239)
Share-based compensation	-	-	8,045	(280)	-	504	8,269
Stock appreciation rights	-	-	599	-	-	-	599
Common stock issued upon exercise of options	8	13	183	-	-	-	196
Common stock issued for performance units	1	3	(3)	-	-	-	-
Repurchase of shares	(15)	-	-	-	-	(1,017)	(1,017)
Tax shortfall associated with compensation plans		-	(167)	-	-	-	(167)
Balance at January 2, 2010	12,812	\$ 22,792	\$ 106,705	\$ 261,821	\$ (10,756)	\$ (30,003)	\$ 350,559
Net earnings	-	-	-	50,941	-	-	50,941
Other comprehensive income:							
Deferred loss on hedging activities, net of tax of \$272	-	-	-	-	426	-	426
Minimum pension liability adjustment, net of tax of (\$434)	-	-	-	-	(679)	-	(679)
Minimum other post-retirement liability adjustment, net of tax of \$16	-	-	-	-	25	-	25
Comprehensive income							50,713
Dividends declared of \$.72 per share	-	-	-	(8,930)	-	-	(8,930)
Share-based compensation	24	-	7,566	(248)	-	793	8,111
Stock appreciation rights	-	-	570	-	-	-	570
Common stock issued for performance units	-	4	(4)	-	-	-	-
Common stock transferred from rabbi trust	(85)	-	-	-	-	(1,200)	(1,200)
Repurchase of shares	(643)	-	-	-	-	(22,781)	(22,781)
Tax shortfall associated with compensation plans	-	-	(38)	-	-	-	(38)
Balance at January 1, 2011	12,108	\$ 22,796	\$ 114,799	\$ 303,584	\$ (10,984)	\$ (53,191)	\$ 377,004
Net earnings	-	-	-	35,805	-	-	35,805
Other comprehensive income:							
Deferred loss on hedging activities, net of tax of \$169	-	-	-	-	264	-	264
Minimum pension liability adjustment, net of tax of (\$2,561)	-	-	-	-	(4,006)	-	(4,006)
Minimum other post-retirement liability adjustment, net of tax of \$12	-	-	-	-	19	-	19
Comprehensive income							32,082
Dividends declared of \$.72 per share	-	-	-	(8,739)	-	-	(8,739)
Share-based compensation	28	-	2,976	(180)	-	951	3,747
Stock appreciation rights	-	-	570	-	-	-	570
Common stock issued for performance units	50	82	(82)	-	-	-	-
Tax shortfall associated with compensation plans	-	-	(41)	-	-	-	(41)
Balance at December 31, 2011	12,186	\$ 22,878	\$ 118,222	\$ 330,470	\$ (14,707)	\$ (52,240)	\$ 404,623

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Fiscal Year

The fiscal year of Nash-Finch Company (“Nash Finch”) ends on the Saturday nearest to December 31. Fiscal years 2011, 2010 and 2009 each consisted of 52 weeks. Our interim quarters consist of 12 weeks except for the third quarter which consists of 16 weeks.

Principles of Consolidation

The accompanying financial statements include our accounts and the accounts of our majority-owned subsidiaries. All material inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Cash and Cash Equivalents

In the accompanying financial statements and for purposes of the statements of cash flows, cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less when purchased which are carried at fair value. We had no short-term investments at the end of any of the fiscal years referenced in the financial statements.

Accounts and Notes Receivable

We evaluate the collectability of our accounts and notes receivable based on a combination of factors. In most circumstances when we become aware of factors that may indicate a deterioration in a specific customer’s ability to meet its financial obligations to us (e.g., reductions of product purchases, deteriorating store conditions, changes in payment patterns), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In determining the adequacy of the reserves, we analyze factors such as the value of any collateral, customer financial statements, historical collection experience, aging of receivables and other economic and industry factors. It is possible that the accuracy of the estimation process could be materially affected by different judgments as to the collectability based on information considered and further deterioration of accounts. If circumstances change (i.e., further evidence of material adverse creditworthiness, additional accounts become credit risks, store closures), our estimates of the recoverability of amounts due us could be reduced by a material amount, including to zero.

Revenue Recognition

We recognize revenue when the sales price is fixed or determinable, collectability is reasonably assured and the customer takes possession of the merchandise.

Revenues for the Military segment are recognized upon the delivery of the product to the commissary or commissaries designated by the Defense Commissary Agency (DeCA), or in the case of overseas commissaries, when the product is delivered to the port designated by DeCA, which is when DeCA takes possession of the merchandise and bears the responsibility for shipping the product to the commissary or overseas warehouse. Revenues from consignment sales are included in our reported sales on a net basis.

Revenues for the Food Distribution segment are recognized upon delivery of the product which is typically the same day the product is shipped.

Revenue is recognized for the Retail segment when the customer receives and pays for the merchandise at the point of sale. Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue as the Company considers itself a pass-through conduit for collecting and remitting sales taxes.

Based upon the nature of the products we sell, our customers have limited rights of return, which are immaterial.

Cost of sales

Cost of sales includes the cost of inventory sold during the period, including distribution costs, shipping and handling fees, and vendor allowances and credits (see below). Advertising costs, included in cost of goods sold, are expensed as incurred and were \$56.7 million, \$61.1 million and \$63.1 million for fiscal 2011, 2010 and 2009, respectively. Advertising income, included in cost of goods sold, was approximately \$55.5 million, \$60.1 million and \$64.5 million for fiscal 2011, 2010 and 2009, respectively.

Vendor Allowances and Credits

We reflect vendor allowances and credits, which include allowances and incentives similar to discounts, as a reduction of cost of sales when the related inventory has been sold, based on the underlying arrangement with the vendor. These allowances primarily consist of promotional allowances, quantity discounts and payments under merchandising arrangements. Amounts received under promotional or merchandising arrangements that require specific performance are recognized in the consolidated statements of income when the performance is satisfied and the related inventory has been sold. Discounts based on the quantity of purchases from our vendors or sales to customers are recognized in the consolidated statements of income as the product is sold. When payment is received prior to fulfillment of the terms, the amounts are deferred and recognized according to the terms of the arrangement.

Inventories

Inventories are stated at the lower of cost or market. Approximately 84% of our inventories were valued on the last-in, first-out (LIFO) method at December 31, 2011 as compared to approximately 88% at January 1, 2011. During fiscal 2011, we recorded a LIFO charge of \$14.2 million compared to a LIFO charge of \$0.1 million in fiscal 2010 and a LIFO credit of \$3.0 million in fiscal 2009. The remaining inventories are valued on the first-in, first-out (FIFO) method. If the FIFO method of accounting for inventories had been applied to all inventories, inventories would have been higher by \$87.3 million and \$73.1 million at December 31, 2011 and January 1, 2011, respectively.

Capitalization, Depreciation and Amortization

Property, plant and equipment are stated at cost. Assets under capitalized leases are recorded at the present value of future lease payments or fair market value, whichever is lower. Expenditures which improve or extend the life of the respective assets are capitalized while maintenance and repairs are expensed as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets which generally range from 10-40 years for buildings and improvements and 3-10 years for furniture, fixtures and equipment. Capitalized leases and leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease or the useful life of the asset.

Net property, plant and equipment consisted of the following (in thousands):

	December 31, 2011	January 1, 2011
Land	\$ 30,129	\$ 21,486
Buildings and improvements	292,538	235,096
Furniture, fixtures and equipment	286,780	286,708
Leasehold improvements	42,500	58,805
Construction in progress	3,571	13,575
Assets under capitalized leases	31,276	33,586
	<u>686,794</u>	<u>649,256</u>
Accumulated depreciation and amortization	(413,695)	(409,190)
Net property, plant and equipment	<u>\$ 273,099</u>	<u>\$ 240,066</u>

Impairment of Long-Lived Assets

An impairment loss is recognized whenever events or changes in circumstances indicate the carrying amount of an asset is not recoverable. Assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. We have generally identified this lowest level to be individual stores or distribution centers; however, there are limited circumstances where, for evaluation purposes, stores could be considered with the distribution center they support. We allocate the portion of the profit retained at the servicing distribution center to the individual store when performing the impairment analysis in order to determine the store's total contribution to us. We consider historical performance and future estimated results in the impairment evaluation. If the carrying amount of the asset exceeds expected undiscounted future cash flows, we measure the amount of the impairment by comparing the carrying amount of the asset to its fair value as determined using an income approach. The inputs used in the income approach use significant unobservable inputs, or level 3 inputs, in the fair value hierarchy. Excluding the \$6.0 million impairment of a food distribution center in fiscal 2009, as discussed in Note (4) – Special Charges, we recorded impairment charges of \$0.6 million, \$0.9 million and \$2.5 million in fiscal 2011, 2010 and 2009, respectively.

Reserves for Self-Insurance

We are primarily self-insured for workers' compensation, general and automobile liability and health insurance costs. It is our policy to record our self-insurance liabilities based on claims filed and an estimate of claims incurred but not yet reported. Worker's compensation, general and automobile liabilities are actuarially determined on a discounted basis. We have purchased stop-loss coverage to limit our exposure on a per claim basis. On a per claim basis, our exposure for workers compensation is \$0.6 million, auto liability and general liability is \$0.5 million and for health insurance our exposure is \$0.4 million. Any projection of losses concerning workers' compensation, general and automobile and health insurance liability is subject to a considerable degree of variability. Among the causes of this variability are unpredictable external factors affecting future inflation rates, litigation trends, legal interpretations, benefit level changes and claim settlement patterns. Although our estimates of liabilities incurred do not anticipate significant changes in historical trends for these variables, such changes could have a material impact on future claim costs and currently recorded liabilities. A 100 basis point change in discount rates would increase our liability by approximately \$0.2 million.

Goodwill and Intangible Assets

Intangible assets, consisting primarily of goodwill and customer contracts resulting from business acquisitions, are carried at cost unless a determination has been made that their value is impaired. Goodwill is not amortized and customer contracts and other intangible assets that are not deemed to have an indefinite life are amortized over their useful lives. We test goodwill for impairment on an annual basis in the fourth quarter based on conditions as of the end of our third quarter or more frequently if we believe indicators of impairment exist. Such indicators may include a decline in our expected future cash flows, unanticipated competition,

slower growth rates or a sustained significant decline in our share price and market capitalization, among others. Any adverse change in these factors could have a significant impact on the recoverability of our goodwill and could have a material impact on our consolidated financial statements.

The goodwill impairment test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

Our fair value for each reporting unit is determined based on an income approach which incorporates a discounted cash flow analysis which uses significant unobservable inputs, or level 3 inputs, as defined by the fair value hierarchy, and a market approach that utilizes current earnings multiples of comparable publicly-traded companies. We have weighted the valuation of our reporting units at 70% based on the income approach and 30% based on the market approach. We believe that this weighting is appropriate since it is often difficult to find other comparable publicly-traded companies that are similar to our reporting units and it is our view that future discounted cash flows are more reflective of the value of the reporting units.

We performed our fiscal 2011 annual impairment test of goodwill during the fourth quarter of fiscal 2011 based on conditions as of the end of our third quarter of fiscal 2011 and determined that no indication of impairment existed in any of our reporting segments. The fair value of the Retail segment was approximately 16% higher than its carrying value, while the Food Distribution segment's fair value exceeded its carrying value by approximately 13% and the Military segment's fair value was approximately 30% higher than its carrying value.

Discount rates applied in our income approach during fiscal 2011 ranged from 9.0% to 10.5% and were reflective of the weighted average cost of capital of comparable publically-trade companies with an adjustment for equity and size premiums based on market capitalization. Growth rates ranged from -2.5% to 2.0%. For the food distribution segment to have an indication of impairment the discount rate applied would need to increase by 2.0% or the assumed long-term growth rate would need to decrease by more than 3.0% with a corresponding increase in the discount rate of 1.0%. For the retail segment to have an indication of impairment the discount rate applied would need to increase by over 1.5% or the assumed long-term growth rate would need to decrease by over 3.0% with a corresponding increase in the discount rate of 1.5%.

The accounting principles regarding goodwill acknowledge that the observed market prices of individual trades of a company's stock (and thus its computed market capitalization) may not be representative of the fair value of the company as a whole. Additional value may arise from the ability to take advantage of synergies and other benefits that flow from control over another entity. Consequently, measuring the fair value of a collection of assets and liabilities that operate together in a controlled entity is different from measuring the fair value of that entity's individual common stock. In most industries, including ours, an acquiring entity typically is willing to pay more for equity securities that give it a controlling interest than an investor would pay for a number of equity securities representing less than a controlling interest. We have taken into consideration the current trends in our market capitalization and the current book value of our equity in relation to fair values arrived at in our fiscal 2011 goodwill impairment analysis, including the implied control premium, and have deemed the result to be reasonable.

We determined that an indication of impairment existed in our retail segment in the first step of the fiscal 2009 goodwill impairment analysis which required us to calculate our retail segment's implied fair value in the second step of the impairment analysis. For the second step we obtained appraisals for our real estate, fixtures and equipment and assigned a fair value to any unrecognized intangible assets, which included above and below market rents based on appraisals for locations we lease, a fair value to our trade names and our pharmacy scripts. Certain asset and liabilities' carrying values approximated fair value due to their short maturities which included accounts receivable, inventories and accounts payable. Based on its implied fair value we were required to write-off \$50.9 million of our retail goodwill in fiscal 2009. The decline in the fair

value of our retail segment was reflective of a decline in long-term growth assumptions and lower comparable market multiples.

During fiscal 2010, the Retail segment recorded goodwill of \$0.6 million for the value of a store buy-out agreement for one of our minority owned retail locations. Additionally, we transferred \$8.9 million of goodwill from our Food Distribution segment to our Military segment related to a segment reporting reclassification resulting from the movement of certain business between those two segments that occurred during fiscal 2010.

During fiscal 2011, \$4.1 million of Retail goodwill was recorded due to the Company's acquisition of a new retail store and \$0.3 million was written off due to the sale or closure of stores.

Changes in the net carrying amount of goodwill were as follows:

(in thousands)	Military	Food Distribution	Retail	Total
Goodwill as of January 2, 2010	\$ 25,754	\$ 121,863	\$ 18,928	\$ 166,545
Food distribution to military reclassification	8,885	(8,885)	-	-
Retail store buy-out agreement	-	-	621	621
Goodwill as of January 1, 2011	34,639	112,978	19,549	167,166
Retail store acquisition	-	-	4,085	4,085
Retail store sales/closures	-	-	(310)	(310)
Goodwill as of December 31, 2011	\$ 34,639	\$ 112,978	\$ 23,324	\$ 170,941

Customer contracts and relationships intangibles were as follows (in thousands):

	December 31, 2011			
	Gross Carrying Value	Accum. Amort.	Net Carrying Amount	Estimated Life (years)
Customer contracts and relationships	\$ 42,218	\$ (26,819)	\$ 15,399	10-20
	January 1, 2011			
	Gross Carrying Value	Accum. Amort.	Net Carrying Amount	Estimated Life (years)
Customer contracts and relationships	\$ 42,317	\$ (24,184)	\$ 18,133	10-20

Other intangible assets included in other assets on the consolidated balance sheets were as follows (in thousands):

	December 31, 2011			
	Gross Carrying Value	Accum. Amort.	Net Carrying Amount	Estimated Life (years)
Franchise agreements	\$ 2,694	\$ (1,609)	\$ 1,085	17-25
Non-compete agreements	366	(225)	141	4-10
Pharmacy scripts	2,034	(940)	1,094	5
License agreements	53	(38)	15	5
Tradenames	209	-	209	Indefinite

	January 1, 2011			
	Gross		Net	
	Carrying Value	Accum. Amort.	Carrying Amount	Estimated Life (years)
Franchise agreements	\$ 2,694	\$ (1,501)	\$ 1,193	17-25
Non-compete agreements	346	(167)	179	4-10
Pharmacy scripts	1,134	(600)	534	5
License agreements	53	(29)	24	5

Aggregate amortization expense recognized for fiscal 2011, 2010 and 2009 was \$3.2 million, \$3.4 million and \$4.4 million, respectively. The aggregate amortization expense for the five succeeding fiscal years is expected to approximate \$2.8 million, \$2.4 million, \$2.2 million, \$2.0 million and \$1.7 million for fiscal years 2012 through 2016, respectively.

Income Taxes

When preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. The process involves estimating our actual current tax obligations based on expected income, statutory tax rates and tax planning opportunities in the various jurisdictions in which we operate. In the event there is a significant, unusual or one-time item recognized in our results of operations, the tax attributable to that item would be separately calculated and recorded in the period the unusual or one-time item occurred.

We utilize the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse or are settled. A valuation allowance is recorded when it is more likely than not that all or a portion of the deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in our tax provision in the period of change.

We establish reserves when, despite our belief that the tax return positions are fully supportable, certain positions could be challenged and we may ultimately not prevail in defending our positions. These reserves are adjusted in light of changing facts and circumstances, such as the closing of a tax audit or the expiration of statutes of limitations. The effective tax rate includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as, related penalties and interest. These reserves relate to various tax years subject to audit by taxing authorities.

Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized. We recognize potential accrued interest and penalties related to the unrecognized tax benefits in income tax expense.

Derivative Instruments

Derivative financial instruments are carried at fair value on the balance sheet and we apply hedge accounting when certain conditions are met.

We have market risk exposure to changing interest rates primarily as a result of our borrowing activities and to the cost of fuel in our distribution operations. Our objective in managing our exposure to changes in interest rates and the cost of fuel is to reduce fluctuations in earnings and cash flows. To achieve these objectives, from time-to-time we use derivative instruments, primarily interest rate swap agreements and fuel hedges, to manage risk exposures when appropriate, based on market conditions. We do not enter into derivative agreements for trading or other speculative purposes, nor are we a party to any leveraged derivative instrument.

Share-based compensation

Our results of operations reflect compensation expense based on the value and vesting schedule for newly issued and previously issued share-based compensation instruments granted. We estimate the fair value of share-based payment awards on the date of the grant. We use the grant date market value per share of Nash Finch common stock to estimate the fair value of Restricted Stock Units (RSUs) and performance units granted pursuant to our long-term incentive plan (LTIP). We used a lattice model to estimate the fair value of stock appreciation rights (SARs) which contain certain market conditions. For RSUs and LTIP awards, the value of the portion of the awards ultimately expected to vest is recognized as expense over the requisite service period. The SARs did not meet the market conditions required to vest, however, we were required to recognize expense over the requisite service period.

Comprehensive Income

We report comprehensive income that includes our net income and other comprehensive income. Other comprehensive income refers to revenues, expenses, gains and losses that are not included in net earnings such as minimum pension and other post retirement liabilities adjustments and unrealized gains or losses on hedging instruments, but rather are recorded directly in the consolidated statements of stockholders' equity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Standards

There have been no recently adopted accounting standards that have resulted in a material impact to the Company's financial statements.

(2) Acquisition

On January 31, 2009, the Company completed the purchase from GSC Enterprises, Inc. ("GSC"), of substantially all of the assets relating to three military food distribution centers located in San Antonio, Texas, Pensacola, Florida and Junction City, Kansas serving military commissaries and exchanges ("Business"). The Company also assumed certain trade payables, accrued expenses and receivables associated with the assets being acquired. The aggregate purchase price paid was \$78.1 million in cash.

The following table summarizes the fair values of the assets acquired and liabilities of the Business assumed at the January 31, 2009 acquisition date (in thousands):

Cash and cash equivalents	\$	47
Accounts receivable		61,285
Inventories		42,061
Prepaid expenses and other		210
Property, plant and equipment		30,294
Other assets		890
Total identifiable assets acquired		134,787
Current liabilities		43,114
Accrued expenses		1,162
Deferred tax liability, net		4,272
Other long-term liabilities		1,456
Total liabilities assumed		50,004
Net assets acquired	\$	<u>84,783</u>

The fair value of the net identifiable assets acquired and liabilities assumed of \$84.8 million exceeded the purchase price of \$78.1 million. Consequently, the Company reassessed the recognition and measurement of identifiable assets acquired and liabilities assumed and concluded that the valuation procedures and resulting measures were appropriate. As a result, the Company recognized a gain of \$6.7 million (net of tax) in fiscal 2009 associated with the acquisition of the Business. The gain is included in the line item “Gain on acquisition of a business” in the consolidated statement of income.

Although the Company has made reasonable efforts to do so, synergies achieved through the integration of the Business into the Company’s military segment, unallocated interest expense and the allocation of shared overhead specific to the Business cannot be precisely determined. Accordingly, the Company has deemed it impracticable to calculate the precise impact the Business had on the Company’s net earnings during fiscal 2009.

(3) Vendor Allowances and Credits

We participate with our vendors in a broad menu of promotions to increase sales of products. These promotions fall into two main categories: off-invoice allowances and performance-based allowances. These allowances are often subject to negotiation with our vendors. In the case of off-invoice allowances, discounts are typically offered by vendors with respect to certain merchandise purchased by us during a specified period of time. We use off-invoice allowances to support a variety of marketing programs such as reduced price offerings for specific time periods, food shows, pallet promotions and private label promotions. The discounts are either reflected directly on the vendor’s invoice, as a reduction from the normal wholesale prices for merchandise to which the allowance applies, or we are allowed to deduct the allowance as an offset against the vendor’s invoice when it is paid.

In the case of performance-based allowances, the allowance or rebate is based on our completion of some specific activity, such as purchasing or selling product during a certain time period. This basic performance requirement may be accompanied by an additional performance requirement such as providing advertising or special in-store promotion, tracking specific shipments of goods to retailers (or to customers in the case of our own retail stores) during a specified period (retail performance allowances), slotting (adding a new item to the system in one or more of our distribution centers) and merchandising a new item, or achieving certain minimum purchase quantities. The billing for these performance-based allowances is normally in the form of a “bill-back,” in which case we are invoiced at the regular price with the understanding that we may bill back the vendor for the requisite allowance when the performance is satisfied. We also assess an administrative fee, reflected on the invoices sent to vendors, to recoup our reasonable costs of performing the tasks associated with administering retail performance allowances.

We collectively plan promotions with our vendors and arrive at the amount the respective vendor plans to spend on promotions with us. Each vendor has its own method for determining the amount of promotional funds to be spent with us. In most situations, the vendor allowances are based on units we purchase from the vendor. In other situations, the allowances are based on our past or anticipated purchases and/or the anticipated performance of the planned promotions. Forecasting promotional expenditures is a critical part of our frequently scheduled planning sessions with our vendors. As individual promotions are completed and the associated billing is processed, the vendors track our promotional program execution and spend rate, and discuss the tracking, performance and spend rate with us on a regular basis throughout the year. These communications include discussions with respect to future promotions, product cost, targeted retails and price points, anticipated volume, promotion expenditures, vendor maintenance, billing issues and procedures, new items/discontinued items and trade spend levels relative to budget per event and per year, as well as the resolution of any issues that arise between the vendor and us. In the future, the nature and menu of promotional programs and the allocation of dollars among them may change as a result of ongoing negotiations and commercial relationships between vendors and us.

We have a vendor dispute resolution process to facilitate timely research and resolution of disputed deductions from vendor payments. We estimate and record a payable for current claims based on our historical experiences.

(4) Special Charges

In fiscal 2009, we recorded a special charge of \$6.0 million due to asset impairments in our food distribution segment. The charge included write-downs of \$5.5 million to leasehold improvements and \$0.5 million to fixtures and equipment.

(5) Long-Lived Asset Impairment Charges

Excluding the \$6.0 million impairment of a food distribution center in fiscal 2009, as discussed in Note (4) – Special Charges, we recorded impairment charges of \$0.6 million, \$0.9 million and \$2.5 million in fiscal 2011, 2010 and 2009, respectively. The impairment charges primarily related to three retail stores in 2011, four retail stores in 2010, and six retail stores in 2009 that were impaired as a result of increased competition within the respective market areas. The estimated undiscounted cash flows related to these facilities indicated that the carrying value of the assets may not be recoverable based on current expectations, therefore these assets were written down.

(6) Accounts and Notes Receivable

Accounts and notes receivable at the end of fiscal 2011 and 2010 are comprised of the following components:

(in thousands)	2011	2010
Customer notes receivable, current	\$ 8,915	\$ 5,364
Customer accounts receivable	226,926	218,050
Other receivables	13,627	15,753
Allowance for doubtful accounts	(5,705)	(5,731)
Net current accounts and notes receivable	<u>\$ 243,763</u>	<u>\$ 233,436</u>
Long-term customer notes receivable	\$ 24,239	\$ 20,811
Allowance for doubtful accounts	(1,018)	(461)
Net long-term notes receivable	<u>\$ 23,221</u>	<u>\$ 20,350</u>

Operating results include bad debt expense of \$0.8 million in both fiscal 2011 and fiscal 2010 and \$1.4 million in fiscal 2009.

(7) Long-term Debt and Bank Credit Facilities

Long-term debt as of the end of the fiscal 2011 and 2010 is summarized as follows:

(In thousands)	2011	2010
Asset-backed credit agreement:		
Revolving credit	\$ 135,400	\$ 154,100
Senior subordinated convertible debt, 3.50% due in 2035	142,481	136,710
Industrial development bonds, 5.60% to 6.00% due in various installments through 2014	1,260	1,830
Notes payable and mortgage notes, 7.95% due in various installments through 2013	-	296
Total debt	279,141	292,936
Less current maturities	(595)	(670)
Long-term debt	\$ 278,546	\$ 292,266

Asset-backed Credit Agreement

On December 21, 2011, the Company and its subsidiaries entered into a credit agreement and related security and other agreements with Wells Fargo and the Lenders party thereto (the "Credit Agreement"), providing for a \$520.0 million revolving asset-based credit facility, which includes a \$50.0 million Swing Line sub-facility and a \$75.0 million letter of credit sub-facility (the "Revolving Credit Facility"). We are required to maintain a reserve of \$100.0 million with respect to the Senior Subordinated Convertible Debt, which reserve shall increase to \$150.0 million commencing on December 15, 2012. Provided no event of default is then existing or would arise, the Company may from time-to-time, request that the Revolving Credit Facility be increased by an aggregate amount (for all such requests) not to exceed \$250.0 million. On December 21, 2011, the Company (a) borrowed \$151.7 million under the Revolving Credit Facility to pay-off outstanding principal and interest due pursuant to the credit agreement among the Company, various Lenders, Bank of America, N.A., as Administrative Agent, et al, dated as of April 11, 2008 (the "B of A Credit Agreement"), to pay closing costs and for other general corporate purposes and (b) rolled forward its existing letters of credit totaling \$11.0 million into the new Credit Agreement. The Credit Agreement is collateralized by a first priority perfected security interest on all real and personal property of the Company and its subsidiaries, including (i) a perfected pledge of all of the equity interests held by the Company and its subsidiaries and (ii) mortgages encumbering certain real estate owned by the Company, subject to certain exceptions. The obligations of the Company and its subsidiaries under the Credit Agreement are unconditionally cross-guaranteed by the Company and its subsidiaries.

The syndicate of lenders includes: Wells Fargo Capital Finance, LLC, as Administrative Agent, Collateral Agent, Swing Line Lender, Wells Fargo Bank, N.A. and Bank of America, N.A. as L/C Issuers, JPMorgan Chase Bank, N.A. and BMO Harris Bank, N.A. as Syndication Agents, Bank of America, N.A. and Barclays Bank PLC as Documentation Agents, and Wells Fargo Capital Finance, LLC, J.P. Morgan Securities LLC, BMO Capital Markets and Merrill Lynch, Pierce, Fenner and Smith Incorporated as Joint Lead Arrangers and Joint Book Managers.

The principal amount outstanding under the Revolving Credit Facility, plus interest accrued and unpaid thereon, will be due and payable in full at maturity on December 21, 2016. The Company can elect, at the time of borrowing, for loans to bear interest at a rate equal to either base rate or LIBOR plus a margin. The LIBOR interest rate margin currently is 1.75%, but the LIBOR interest rate margin will become adjustable after March 25, 2012. Once the margin becomes adjustable, it can vary quarterly in 0.25% increments between three pricing levels ranging from 1.50% to 2.00% based on the Excess Availability, which is defined in the Credit Agreement as (a) the lesser of (i) the borrowing base; or (ii) the aggregate commitments; minus (b) the aggregate of the outstanding credit extensions.

At December 31, 2011, \$273.6 million was available under the Revolving Credit Facility after giving effect to outstanding borrowings and to \$11.0 million of outstanding letters of credit primarily supporting workers' compensation obligations.

The Credit Agreement contains no financial covenants unless and until (i) the continuance of an event of default under the Credit Agreement, or (ii) the failure of the Company to maintain Excess Availability equal to or greater than 10% of the borrowing base at any time, in which event, the Company must comply with a trailing 12-month basis consolidated fixed charge covenant ratio of 1.0 : 1.0, which ratio shall continue to be tested each period thereafter until Excess Availability exceeds 10% of the borrowing base for three consecutive fiscal periods.

The Credit Agreement contains usual and customary covenants for a facility of this type requiring the Company and its subsidiaries, among other things, to maintain collateral, comply with applicable laws, keep proper books and records, preserve corporate existence, maintain insurance and pay taxes in a timely manner. Events of default under the Credit Agreement are usual and customary for transactions of this type, subject to, in specific instances, materiality and cure periods including, among other things: (a) any failure to pay principal thereunder when due or to pay interest or fees on the due date; (b) material misrepresentations; (c) default under other agreements governing material indebtedness of the Company; (d) default in the performance or observation of any covenants; (e) any event of insolvency or bankruptcy; (f) any final judgments or orders to pay more than \$15.0 million that remain unsecured or unpaid; (g) change of control, as defined in the Credit Agreement; and (h) any failure of a collateral document, after delivery thereof, to create a valid mortgage or first-priority lien.

We are currently in compliance with all covenants contained within the credit agreement.

Senior Subordinated Convertible Debt

To finance a portion of the acquisition from Roundy's, which consisted primarily of our Lima and Westville distribution centers, we sold \$150.1 million in aggregate issue price (or \$322.0 million aggregate principal amount at maturity) of senior subordinated convertible notes due 2035 in a private placement completed on March 15, 2005. The notes are unsecured and rank junior to our existing and future senior indebtedness, including borrowings under our Revolving Credit Facility.

Cash interest at the rate of 3.50% per year is payable semi-annually on the issue price of the notes until March 15, 2013. After that date, cash interest will not be payable, unless contingent cash interest becomes payable, and original issue discount for non-tax purposes will accrue on the notes at a daily rate of 3.50% per year until the maturity date of the notes. On the maturity date of the notes, a holder will receive \$1,000 per note (a "\$1,000 Note"). Contingent cash interest will be paid on the notes during any six-month period, commencing March 16, 2013, if the average market price of a note for a ten trading day measurement period preceding the applicable six-month period equals 130% or more of the accreted principal amount of the note, plus accrued cash interest, if any. The contingent cash interest payable with respect to any six-month period will equal an annual rate of 0.25% of the average market price of the note for the ten trading day measurement period described above.

The notes will be convertible at the option of the holder only upon the occurrence of certain events summarized as follows:

- (1) if the closing price of our stock reaches a specified threshold (currently \$62.97) for a specified period of time,
- (2) if the notes are called for redemption,
- (3) if specified corporate transactions or distributions to the holders of our common stock occur,
- (4) if a change in control occurs or,
- (5) during the ten trading days prior to, but not on, the maturity date.

Upon conversion by the holder, the notes convert at an adjusted conversion rate of 9.6224 shares (initially 9.3120 shares) of our common stock per \$1,000 Note (equal to an adjusted conversion price of

approximately \$48.44 per share). Upon conversion, we will pay the holder the conversion value in cash up to the accreted principal amount of the note and the excess conversion value (or residual value shares), if any, in cash, stock or both, at our option. The conversion rate is adjusted upon certain dilutive events as described in the indenture, but in no event shall the conversion rate exceed 12.7109 shares per \$1,000 Note. The number of residual value shares cannot exceed 7.1469 shares per \$1,000 Note.

We may redeem all or a portion of the notes for cash at any time on or after the eighth anniversary of the issuance of the notes. Holders may require us to purchase for cash all or a portion of their notes on the 8th, 10th, 15th, 20th and 25th anniversaries of the issuance of the notes. In addition, upon specified change in control events, each holder will have the option, subject to certain limitations, to require us to purchase for cash all or any portion of such holder's notes.

Industrial Development Bonds

At December 31, 2011, land in the amount of \$1.6 million and buildings and other assets with a depreciated cost of approximately \$2.6 million are pledged to secure obligations under issues of industrial development bonds.

Maturities of Long-term Debt

Aggregate annual maturities of long-term debt for the five fiscal years after December 31, 2011, are as follows (in thousands):

2012	\$	595
2013		625
2014		40
2015		-
2016		135,400
Thereafter		142,481
Total	\$	<u>279,141</u>

Interest paid was \$15.8 million, \$16.6 million and \$17.8 million during fiscal 2011, fiscal 2010 and fiscal 2009, respectively.

(8) Derivative Instruments

We have market risk exposure to changing interest rates primarily as a result of our borrowing activities and commodity price risk associated with anticipated purchases of diesel fuel. Our objective in managing our exposure to changes in interest rates and commodity prices is to reduce fluctuations in earnings and cash flows. To achieve these objectives, from time-to-time we use derivative instruments, primarily interest rate swap agreements and fixed price fuel supply agreements, to manage risk exposures when appropriate, based on market conditions. We do not enter into derivative agreements for trading or other speculative purposes, nor are we a party to any leveraged derivative instrument.

The interest rate swap agreements are designated as cash flow hedges and are reflected at fair value in our Consolidated Balance Sheet and the related gains or losses on these contracts are deferred in stockholders' equity as a component of other comprehensive income. As of December 31, 2011, we have no outstanding interest rate swap agreements, as compared to a fair value liability of \$0.4 million as of January 1, 2011. The fair value of all such liabilities is included in accrued expenses on our Consolidated Balance Sheet. Deferred gains and losses are amortized as an adjustment to interest expense over the same period in which the related items being hedged are recognized in income. However, to the extent that any of these contracts are not considered to be effective in offsetting the change in the value of the items being hedged, any changes in fair value relating to the ineffective portion of these contracts are immediately recognized in income. Our interest rate swap agreements resulted in recognizing interest expense of \$0.4 million, \$1.0 million and \$1.5 million in fiscal 2011, fiscal 2010 and fiscal 2009, respectively.

There were no interest rate swap agreements outstanding as of December 31, 2011. Interest rate swap agreements outstanding at January 1, 2011 and their fair values are summarized as follows:

<u>(In thousands, except percentages)</u>	<u>January 1, 2011</u>
Notional amount (pay fixed/receive variable)	\$ 17,500
Fair value liability	(433)
Average receive rate for effective swaps	0.3%
Average pay rate for effective swaps	3.4%

In addition to the previously discussed interest rate swap agreements, from time-to-time we enter into a fixed price fuel supply agreements to support our food distribution segment. On January 1, 2009, we entered into an agreement which required us to purchase a total of 252,000 gallons of diesel fuel per month at prices ranging from \$1.90 to \$1.98 per gallon. The term of the agreement was for one year and expired on December 31, 2009. The fixed price fuel agreement qualified and was designated under the “normal purchase” exception, therefore the fuel purchases under the contract were expensed as incurred as an increase to cost of sales.

(9) Income Taxes

Income tax expense (benefit) is made up of the following components:

<u>(in thousands)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current:			
Federal	\$ 12,293	\$ 6,268	\$ 27,382
State	1,480	783	3,231
Tax credits	(384)	(400)	(268)
Deferred:			
Federal	8,408	13,154	(8,271)
State	826	1,380	(1,102)
Total	<u>\$ 22,623</u>	<u>\$ 21,185</u>	<u>\$ 20,972</u>

Income tax expense differed from amounts computed by applying the federal income tax rate to pre-tax income as a result of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Federal statutory tax rate	35.0%	35.0%	35.0%
State taxes, net of federal income tax benefit	3.5%	3.7%	4.7%
Non-deductible goodwill	0.2%	-	73.6%
Change in tax contingencies	-	(8.0%)	4.4%
Gain on litigation settlement	-	-	(12.7%)
Gain on acquisition of a business	-	-	(11.2%)
Federal refund claim	-	-	(6.8%)
Other, net	-	(1.3%)	1.3%
Effective tax rate	<u>38.7%</u>	<u>29.4%</u>	<u>88.3%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

(in thousands)	December 31, 2011	January 1, 2011
Deferred tax assets:		
Compensation related accruals	\$ 20,869	\$ 19,566
Reserve for bad debts	2,646	2,440
Reserve for store shutdown and special charges	976	1,024
Workers compensation accruals	2,763	3,493
Pension accruals	9,504	7,030
Reserve for future rents	2,161	2,671
Other	4,201	4,505
Total deferred tax assets	43,120	40,729
Deferred tax liabilities:		
Property, plant and equipment	14,140	11,862
Intangible assets	23,270	20,928
Inventories	13,265	12,407
Convertible debt interest	24,905	23,022
Other	1,315	573
Total deferred tax liabilities	76,895	68,792
Net deferred tax liability	\$ (33,775)	\$ (28,063)

Our income tax expense was \$22.6 million, \$21.2 million and \$21.0 million for fiscal years 2011, 2010 and 2009, respectively. The income tax rate for fiscal 2011 was 38.7% compared to 29.4% for fiscal 2010 and 88.3% for fiscal 2009. The effective income tax rate for fiscal 2011, 2010 and 2009 represented income tax expense incurred on pre-tax income from continuing operations. The effective tax rate for fiscal 2011 was impacted by the reversal of previously unrecognized tax benefits of \$0.1 million primarily due to statute of limitation closures and audit resolutions, an increase in reserves of \$0.1 million, and non-deductible goodwill charges of \$0.1 million..

Net income taxes paid were \$14.5 million, \$23.9 million, and \$22.4 million during fiscal 2011, 2010 and 2009, respectively. No significant income tax benefits were recognized directly to stockholders' equity related to compensation expense for tax purposes being higher than expense recognized for financial reporting purposes.

At December 31, 2011, the total amount of unrecognized tax benefits was \$2.1 million compared to \$1.7 million at January 1, 2011. The net increase in unrecognized tax benefits of \$0.4 million since January 1, 2011 was comprised of the following: \$0.1 million due to a decrease in the unrecognized tax benefits relating to the expiration of the applicable statutes of limitation and \$0.5 million due to the increase in unrecognized tax benefits as a result of tax positions taken in the current period. The net decrease in unrecognized tax benefits of \$10.2 million during the year ended January 1, 2011, was comprised of the following: \$3.5 million due to a decrease in the unrecognized tax benefits relating to the expiration of the applicable statutes of limitation, \$7.8 million due to the reduction of unrecognized tax benefits relating to prior period tax positions, \$2.3 million due to the reduction of unrecognized tax benefits relating to current period tax positions and \$3.4 million due to the increase in unrecognized tax benefits as a result of tax positions taken in the current period.

The following table summarizes the activity related to our unrecognized tax benefits:

(\$ in thousands)	
Unrecognized tax benefits - opening balance at 1/02/11	\$ 1,747
Increases related to current year tax period	511
Lapse of statute of limitations	(129)
Unrecognized tax benefits - ending balance 12/31/11	<u>\$ 2,129</u>

(\$ in thousands)	
Unrecognized tax benefits - opening balance at 1/03/10	\$ 11,905
Increases related to current year tax period	3,409
Decreases related to current year tax periods	(2,288)
Decreases related to prior year tax periods	(7,779)
Lapse of statute of limitations	(3,500)
Unrecognized tax benefits - ending balance 1/01/11	<u>\$ 1,747</u>

The total amount of tax benefits that if recognized would impact the effective tax rate was \$0.5 million at December 31, 2011 and \$0.4 million at January 1, 2011. The accrual for potential penalties and interest related to unrecognized tax benefits did not materially change in 2011, and in total, as of December 31, 2011, is \$0.1 million. The accrual for potential penalties and interest related to unrecognized tax benefits decreased by \$2.1 million in fiscal 2010.

We do not expect our unrecognized tax benefits to change significantly over the next 12 months.

The Company or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. During fiscal 2010, we completed an audit by the federal tax authorities of our 2008 tax year. No adjustments that would have a substantial impact on the effective tax rate occurred. With few exceptions, we are no longer subject to U.S. federal, state or local examinations by tax authorities for years 2007 and prior.

(10) Share-based Compensation Plans

The Company is required to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the awards ultimately expected to vest is recognized as expense over the requisite service period. Share-based compensation expense recognized in our consolidated statements of income for fiscal years ended January 2, 2010 included compensation expense for the share-based payment awards granted prior to, but not yet vested as of January 1, 2006, based on the estimated grant date fair value. Compensation expense for the share-based payment awards granted subsequent to January 1, 2006 was based on the estimated grant date fair value. Share-based compensation expense recognized in the consolidated statements of income for years ended December 31, 2011, January 1, 2011, and January 2, 2010 was based on awards ultimately expected to vest, and therefore has been reduced for estimated forfeitures.

Share-based compensation recognized for the year ended December 31, 2011 was \$5.4 million, \$7.9 million for fiscal 2010 and \$9.1 million for fiscal 2009. Share-based compensation amounts are included in selling, general & administrative expense line of our consolidated statements of income.

We have four equity compensation plans under which incentive performance units, stock appreciation rights and other forms of share-based compensation have been, or may be, granted primarily to key employees and non-employee members of the Board of Directors. These plans include the 2009 Incentive Award Plan (as Amended and Restated as of March 2, 2010) (“2009 Plan”), the 2000 Stock Incentive Plan (as amended and restated on July 14, 2008) (“2000 Plan”), the Director Deferred Compensation Plan, and the 1997 Non-Employee Director Stock Compensation Plan. No additional awards can be granted under the 2000 stock incentive program effective May 20, 2009, the date our Shareholder’s approved the 2009 plan.

The Board adopted the Director Deferred Compensation Plan for amounts deferred on or after January 1, 2005. The plan permits non-employee directors to annually defer all or a portion of his or her cash compensation for service as a director, and have the amount deferred into either a cash account or a share unit account. Each share unit is payable in one share of Nash Finch common stock following termination of the participant's service as a director.

Under the 2000 Plan, employees, non-employee directors, consultants and independent contractors were awarded incentive or non-qualified stock options, shares of restricted stock, stock appreciation rights or performance units.

Awards to non-employee directors under the 2000 Plan began in 2004 and ended in May 2008 and have taken the form of restricted stock units ("RSUs") that are granted annually to each non-employee director as part of his or her annual compensation for service as a director.

The 2009 Plan permits the grant of stock options, restricted stock, restricted stock units, deferred stock, stock payments, stock appreciation rights, performance awards and other stock or cash awards to employees and/or other individuals who perform services for the Company and its Subsidiaries. RSUs granted annually to each of our non-employee directors as part of their annual compensation for service as a director after May 2008 have been granted under the 2009 Plan.

During fiscal years 2011, 2010, and 2009 awards have taken the form of performance units (including share units pursuant to our Long-Term Incentive Plan ("LTIP")), RSUs and Stock Appreciation Rights ("SARs").

Performance units pursuant to our LTIP were granted during fiscal years 2008 and 2009 under the 2000 Plan and during fiscal 2010 and 2011 under the 2009 Plan. These units vest at the end of a three-year performance period.

During 2010, a total of 123,128 units were granted pursuant to our 2010 LTIP and during 2009, 108,696 units were granted pursuant to our 2009 LTIP. Under each plan, depending on a comparison of the Company's cumulative three-year actual EBITDA results to the cumulative three-year strategic plan EBITDA targets and the Company's ranking on a blend of absolute return on net assets and compound annual growth rate for return on net assets among the companies in the peer group, a participant could receive a number of shares ranging from zero to 200% of the number of performance units granted. Compensation expense equal to the grant date fair value (for shares expected to vest) is recorded through equity over the three-year performance period as the units can only be settled in stock,

During 2011, a total of 113,044 units were granted pursuant to our 2011 LTIP. Depending on a comparison of the Company's three-year compound annual growth rate of Consolidated EBITDA results to the Company's peer group and the Company's ranking on a blend of absolute return on net assets and compound annual growth rate for return on net assets among the companies in the peer group, a participant could receive a number of shares ranging from zero to 200% of the number of performance units granted. Compensation expense equal to the grant date fair value (for shares expected to vest) is recorded through equity over the three-year performance period as the units can only be settled in stock.

On January 1, 2011, the 104,111 units outstanding under the 2008 LTIP vested and were settled in the second quarter 2011 for approximately 122,000 shares of common stock, of which approximately 96,000 were deferred by recipients until termination of employment as provided in the plan.

On December 31, 2011, the 90,670 units outstanding under the 2009 LTIP vested and were cancelled without converting to shares of common stock because the Company did not achieve the three-year Consolidated EBITDA target necessary for settlement of the units above the zero percent conversion level.

During fiscal years 2006 through 2010, RSUs were awarded to certain executives of the Company. Awards vest in increments over the term of the grant or cliff vest on the fifth anniversary of the grant date, as designated in the award documents. Compensation cost, net of projected forfeitures, is recognized on a straight-

line basis over the period between the grant and vesting dates, with compensation cost for grants with a graded vesting schedule recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. In addition to the time vesting criteria, awards granted in 2008 and 2009 to two of the Company's executives include performance vesting conditions. The Company records expense for such awards over the service vesting period if the Company anticipates the performance vesting conditions will be satisfied.

On February 27, 2007, Mr. Covington was granted a total of 152,500 RSUs under the Company's 2000 Stock Incentive Plan. The new RSU grant replaced a previous grant of 100,000 performance units awarded to Mr. Covington when he joined the Company in 2006. The previous 100,000 unit grant has been cancelled. The new grant delivered additional equity in lieu of the cash "tax gross up" payment included in the previous award; therefore no cash outlay will be required by the Company. Vesting of the new RSU grant to Mr. Covington occurred over a four year period based on Mr. Covington's continued employment with Nash Finch. However, Mr. Covington will not receive the stock until six months after the termination of his employment, whenever that may occur. At the date of the modification, the Company deemed it improbable that the performance vesting conditions of the original awards would be achieved and therefore was not accruing compensation expense related to the original grant. Accordingly, the replacement of the previous grant had no immediate financial impact but resulted in incremental compensation cost in periods subsequent to the modification due to the expectation that the replacement awards will vest. The Company recorded total compensation of \$4.7 million for the replacement awards over the 4-year vesting period compared with \$2.1 million that would have been recorded for the original awards.

On December 17, 2008, in connection with the Company's announcement of its planned acquisition of certain military distribution assets of GSC Enterprises, Inc. (GSC) as discussed in Note 2 – Acquisition, eight executives of the Company were granted a total of 267,345 SARs with a per share price of \$38.44. The SARs were eligible to become vested during the 36 month period commencing on closing of the acquisition of the GSC assets which was January 31, 2009. The SARs were to vest on the first business day during the vesting period that followed the date on which the closing prices on NASDAQ for a share of Nash Finch common stock for the previous 90 market days was at least \$55.00 or a change in control occurred following the six month anniversary of the grant date, or termination of the executive's employment due to death or disability. Upon vesting and exercise, the Company would award the executive a number of shares of restricted stock equal to (a) the product of (i) the number of shares with respect to which the SAR is exercised and (ii) the excess, if any, of (x) the fair market value per share of common stock on the date of exercise over (y) the base price per share relating to such SAR, divided by (b) the fair market value of a share of common stock on the date such SAR is exercised. The restricted stock would vest on the first anniversary of the date of exercise so long as the executive remained continuously employed with the Company.

The fair value of the SARs was estimated on the date of grant using a modified binomial lattice model which factors in the market and service vesting conditions. The modified binomial lattice model used by the Company incorporates a risk-free interest rate based on the 5-year treasury rate on the date of the grant. The model used an expected volatility calculated as the daily price variance over 60, 200 and 400 days prior to grant date using the Fair Market Value (average of daily high and low market price of Nash Finch common stock) on each day. Dividend yield utilized in the model was calculated by the Company as the average of the daily yield (as a percent of the Fair Market Value) over 60, 200 and 400 days prior to the grant date. The modified binomial lattice model calculated a fair value of \$8.44 per SAR which is being recorded over a derived service period of 3.55 years.

The following assumptions were used to determine the fair value of SARs during fiscal 2008:

<u>Assumptions - SARs Valuation</u>	<u>2008</u>
Weighted-average risk-free interest rate	1.37%
Expected dividend yield	1.86%
Expected volatility	35%
Exercise price	\$38.44
Market vesting price (90 consecutive market days at or above this price)	\$55.00
Contractual term	5.1 years

As of December 31, 2011 and January 1, 2011, approximately 267,300 SARs with a weighted average base/exercise price per SAR of \$38.44 were outstanding and unvested. No SARs were granted, exercised, forfeited or cancelled during fiscal 2011. The recipients met the service requirement to vest in approximately 243,500 of the outstanding SARs. As of December 31, 2011, the closing price per share of Nash Finch common stock was below the minimum of \$55.00 required for 90 consecutive market days before January 31, 2012. Therefore, the 243,500 SARs will expire unexercised. The Company expects to write-off the related deferred tax asset of approximately \$0.9 million with an offsetting entry to paid-in capital during the first quarter of fiscal 2012.

The following tables summarize activity in our share-based compensation plans during the fiscal year ended December 31, 2011:

<u>(in thousands, except per share amounts)</u>	<u>Service Based Grants (Board Units and RSUs)</u>	<u>Weighted Average Remaining Restriction/Vesting Period</u>	<u>Performance Based Grants (LTIP & Performance RSUs)</u>	<u>Weighted Average Remaining Restriction/Vesting Period</u>
Outstanding at January 1, 2011	646.5	0.6	568.8	0.7
Granted	14.3		113.7	
Forfeited/cancelled	-		(110.6)	
Exercised/units settled	(228.5)		(105.8)	
Shares deferred upon vesting/settlement & dividend equivalents on deferred shares*	<u>165.6</u>		<u>102.1</u>	
Outstanding at December 31, 2011	<u>597.9</u>	<u>0.2</u>	<u>568.2</u>	<u>0.7</u>
Unvested shares expected to vest**	<u>129.4</u>	<u>2.2</u>	<u>226.7</u>	<u>1.6</u>
Exercisable/unrestricted at January 1, 2011	<u>322.1</u>		<u>323.7</u>	
Exercisable/unrestricted at December 31, 2011	<u>468.4</u>		<u>319.9</u>	

* “Shares deferred upon vesting/settlement” above are net of the performance adjustment factor applied to the “units settled” for the participants that deferred shares as provided in the plan.

**The “shares expected to vest” in the above tables represent the following: For all grants, gross unvested units outstanding less management’s estimate of forfeitures due to termination of employment prior to vesting. For RSUs under “Performance Based Grants” that include a performance vesting condition based on a Nash Finch specific internal target, the number of shares expected to be paid based on management’s current expectation of achieving the target. Note that the shares expected to vest for LTIP does not include an estimate of the adjustment factor upon settlement which is partially dependent on external factors (the Company’s results on plan performance metrics versus its peer group).

The weighted-average grant-date fair value of equity based restricted stock/performance units granted was \$38.84, \$35.83, and \$33.35 during fiscal years 2011, 2010, and 2009, respectively. The weighted-average grant-date fair value of equity based SARs granted during 2008 was \$8.44 per SAR.

The following tables present the non-vested equity awards, including options, restricted stock/performance units including LTIP and SARs.

<u>(in thousands, except per share amounts)</u>	<u>Service Based Grants (Board Units and RSUs)</u>	<u>Weighted Average Fair Value at Date of Grant</u>	<u>Performance Based Grants (LTIP & Performance RSUs)</u>	<u>Weighted Average Fair Value at Date of Grant</u>
Non-vested at January 1, 2011	324.3	\$ 29.65	245.2	\$ 35.02
Granted	14.3		113.7	
Vested/restrictions lapsed	(209.2)		-	
Forfeited/cancelled	-		(110.6)	
Non-vested at December 31, 2011	<u>129.4</u>	<u>\$ 36.27</u>	<u>248.3</u>	<u>\$ 37.72</u>

No stock options were outstanding for any of fiscal 2011 and 2010. The total grant date fair value of stock options that vested during the year was nil for 2009. The aggregate intrinsic value of stock options exercised was approximately \$42,000 during fiscal 2009. The total grant date fair value for all other share-based awards that vested during the year was \$9.3 million, \$5.5 million, and \$6.2 million for fiscal 2011, 2010, and 2009, respectively. No liability awards were settled during fiscal 2011, 2010 or 2009. As of December 31, 2011, the total unrecognized compensation costs related to non-vested share-based compensation arrangements under our stock-based compensation plans was \$0.8 million for service based awards, \$3.7 million for performance based awards and \$0.3 million for stock appreciation rights. The costs are expected to be recognized over a weighted-average period of 2.2 years for the service based awards, 1.6 years for the performance based awards and 0.5 years for stock appreciation rights.

(11) Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

<u>(in thousands, except per share amounts)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Numerator:			
Net earnings	<u>\$ 35,805</u>	<u>\$ 50,941</u>	<u>\$ 2,778</u>
Denominator:			
Denominator for basic earnings per share (weighted-average shares)	<u>12,808</u>	<u>12,819</u>	<u>13,007</u>
Effect of dilutive options and awards	<u>260</u>	<u>367</u>	<u>371</u>
Denominator for diluted earnings per share (adjusted weighted-average shares)	<u>13,068</u>	<u>13,186</u>	<u>13,378</u>
Basic earnings per share	<u>\$ 2.80</u>	<u>\$ 3.97</u>	<u>\$ 0.21</u>
Diluted earnings per share	<u>\$ 2.74</u>	<u>\$ 3.86</u>	<u>\$ 0.21</u>
Weighted-average anti-dilutive options excluded from calculation	-	-	-

The senior subordinated convertible notes due in 2035 will be convertible at the option of the holder, only upon the occurrence of certain events, at an adjusted conversion rate of 9.6224 shares (initially 9.3120) of our common stock per \$1,000 principal amount at maturity of the notes (equal to an adjusted conversion price

of approximately \$48.44 per share). Upon conversion, we will pay the holder the conversion value in cash up to the accreted principal amount of the note and the excess conversion value, if any, in cash, stock or both, at our option. Therefore, the notes are not currently dilutive to earnings per share as they are only dilutive above the accreted value.

Performance units granted during 2005 under the 2000 Plan for the LTIP were payable in shares of Nash Finch common stock or cash, or a combination of both, at the election of the participant. No recipients notified the Company by the required notification date for the 2005 awards that they wished to be paid in cash. Therefore, all units under the 2005 plan were settled in shares of common stock during fiscal 2008. During fiscal 2011, 2010, and 2009, performance units granted under the 2008 LTIP Plan, 2007 LTIP Plan and 2006 LTIP Plan, respectively, were settled in shares of common stock, some of which were deferred by executives as required by the plans. Other performance units and RSUs granted during fiscal 2007, 2008, 2009 and 2010 pursuant to the 2000 Plan and 2009 Plan will pay out in shares of Nash Finch common stock. Unvested RSUs are not included in basic earnings per share until vested. All shares of time-restricted stock are included in diluted earnings per share using the treasury stock method, if dilutive. Performance units granted for the LTIP are only issuable if certain performance criteria are met, making these shares contingently issuable under ASC Topic 260. Therefore, the performance units are included in diluted earnings per share at the payout percentage based on performance criteria results as of the end of the respective reporting period and then accounted for using the treasury stock method, if dilutive. Shares related to the LTIP and shares related to RSUs that are included under “effect of dilutive options and awards” in the calculation of diluted earnings per share are as follows:

(in thousands)	Fiscal 2011	Fiscal 2010	Fiscal 2009
LTIP	67	150	211
RSUs	193	217	160

(12) Leases

A substantial portion of our store and warehouse properties are leased. The following table summarizes assets under capitalized leases:

(in thousands)	2011	2010
Building and improvements	\$ 31,276	\$ 33,586
Less accumulated amortization	(13,146)	(14,089)
Net assets under capitalized leases	<u>\$ 18,130</u>	<u>\$ 19,497</u>

Total future minimum sublease rents receivable related to operating and capital lease obligations as of December 31, 2011, are \$18.9 million and \$6.0 million, respectively. Future minimum payments for operating and capital leases have not been reduced by minimum sublease rentals receivable under non-cancelable subleases. At December 31, 2011, our future minimum rental payments under non-cancelable leases (including properties that have been subleased) are as follows:

<u>(in thousands)</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2012	\$ 19,402	\$ 4,332
2013	15,518	3,738
2014	12,683	3,465
2015	10,242	3,274
2016	6,589	2,961
Thereafter	10,153	9,976
Total minimum lease payments	<u>\$ 74,587</u>	<u>\$ 27,746</u>
Less imputed interest (rates ranging from 8.3% to 24.6%)		<u>9,504</u>
Present value of net minimum lease payments		18,242
Less current maturities		<u>(2,337)</u>
Capitalized lease obligations		<u>\$ 15,905</u>

Total rental expense under operating leases for fiscal 2011, 2010 and 2009 were as follows:

<u>(in thousands)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total rentals	\$ 34,518	\$ 38,859	\$ 41,318
Less: real estate taxes, insurance and other occupancy costs	<u>(2,352)</u>	<u>(2,716)</u>	<u>(2,881)</u>
Minimum rentals	32,166	36,143	38,437
Contingent rentals	(40)	(78)	(34)
Sublease rentals	<u>(6,195)</u>	<u>(6,881)</u>	<u>(7,450)</u>
	<u>\$ 25,931</u>	<u>\$ 29,184</u>	<u>\$ 30,953</u>

Most of our leases provide that we must pay real estate taxes, insurance and other occupancy costs applicable to the leased premises. Contingent rentals are determined on the basis of a percentage of sales in excess of stipulated minimums for certain store facilities. Operating leases often contain renewal options. In those locations in which it makes economic sense to continue to operate, management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases.

(13) Concentration of Credit Risk

We provide financial assistance in the form of loans to some of our independent retailers for inventories, store fixtures and equipment and store improvements. Loans are generally secured by liens on real estate, inventory and/or equipment, personal guarantees and other types of collateral, and are generally repayable over a period of five to seven years. We establish allowances for doubtful accounts based upon periodic assessments of the credit risk of specific customers, collateral value, historical trends and other information. We believe that adequate provisions have been recorded for any doubtful accounts. In addition, we may guarantee debt and lease obligations of retailers. In the event these retailers are unable to meet their debt service payments or otherwise experience an event of default, we would be unconditionally liable for the outstanding balance of their debt and lease obligations, which would be due in accordance with the underlying agreements.

As of December 31, 2011, we have guaranteed outstanding debt and lease obligations of a number of Food Distribution customers in the amount of \$7.9 million. In the normal course of business, we also sublease and assign to third parties various leases. As of December 31, 2011, we estimate that the present value of our maximum potential obligation, net of reserves, with respect to the subleases to be approximately \$19.3 million and assigned leases to be approximately \$11.4 million.

We have entered into loan and lease guarantees on behalf of certain food distribution customers and we must recognize an initial liability for the fair value of the obligation we assume under the guarantees for any issued after December 31, 2002. The maximum undiscounted payments we would be required to make in the event of default under the guarantees is \$5.6 million, which is included in the \$7.9 million total referenced above. These guarantees are secured by certain business assets and personal guarantees of the respective customers. We believe these customers will be able to perform under the lease agreements and that no

payments will be required and no loss will be incurred under the guarantees. A liability representing the fair value of the obligations assumed under the guarantees of \$0.8 million is included in the accompanying consolidated financial statements. All of the other guarantees were issued prior to December 31, 2002.

(14) Fair Value of Financial Instruments

We account for instruments recorded at fair value under the established fair value framework. The framework also applies under other accounting pronouncements that require or permit fair value measurements. Effective January 1, 2008, we adopted the provisions of the fair value framework related to financial assets and liabilities recognized or disclosed on a recurring basis. Additionally, beginning in fiscal 2009, we now apply the fair value framework to financial and non-financial assets and liabilities.

The fair value hierarchy for disclosure of fair value measurements is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Inputs that are unobservable for the assets or liabilities.

As of December 31, 2011, we have no liability in relation to outstanding interest rate swap agreements. The swap agreements outstanding as of January 1, 2011 expired in the fourth quarter of fiscal 2011. Our outstanding interest rate swap agreements have been classified within level 2 of the valuation hierarchy as readily observable market parameters are available to use as the basis of the fair value measurement.

Other Financial Assets and Liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and outstanding checks. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

The fair value of notes receivable approximates the carrying value at December 31, 2011 and January 1, 2011. Substantially all notes receivable are based on floating interest rates which adjust to changes in market rates.

The estimated fair value of our long-term debt, including current maturities, was \$276.3 million and \$305.6 million at December 31, 2011 and January 1, 2011, respectively, utilizing discounted cash flows. The fair value is based on interest rates that are currently available to us for issuance of debt with similar terms and remaining maturities.

Non-Financial Assets

During fiscal 2009 we recognized a goodwill impairment of \$50.9 million. Excluding the \$6.0 million impairment of a food distribution center in fiscal 2009, as discussed in Note (4) – Special Charges, we recorded impairment charges of \$0.6 million, \$0.9 million and \$2.5 million in fiscal 2011, 2010 and 2009, respectively. We utilize a discounted cash flow model and market approach that incorporate unobservable level 3 inputs to test for goodwill and long-lived asset impairments.

(15) Commitments and Contingencies

Roundy's Supermarkets, Inc. v. Nash Finch

On February 11, 2008, Roundy's Supermarkets, Inc. ("Roundy's") filed suit against us claiming we breached the Asset Purchase Agreement ("APA"), entered into in connection with our acquisition of certain

distribution centers and other assets from Roundy's, by not paying approximately \$7.9 million that Roundy's claimed was due under the APA as a purchase price adjustment. We answered the complaint denying any payment was due to Roundy's and asserted counterclaims against Roundy's for, among other things, breach of contract, misrepresentation, and breach of the duty of good faith and fair dealing. In our counterclaim we demanded damages from Roundy's in excess of \$18.0 million.

On September 14, 2009, we entered into a settlement agreement with Roundy's that fully resolved all claims brought in the lawsuit. Under the terms of the settlement agreement, both parties agreed to dismiss their claims against the other in exchange for a release of claims. Neither party was required to pay any money to the other. We recorded a \$7.6 million gain in fiscal 2009 which represented the reversal of the liability we had recorded in conjunction with the disputed APA purchase price adjustment.

Other

We are also engaged from time-to-time in routine legal proceedings incidental to our business. We do not believe that these routine legal proceedings, taken as a whole, will have a material impact on our business or financial condition.

(16) Long-Term Compensation Plans

We have a profit sharing plan which includes a 401(k) feature, covering substantially all employees meeting specified requirements. Profit sharing contributions, determined by the Board of Directors, were made to a noncontributory profit sharing trust based on profit performance. Effective January 1, 2003, we added a match to the 401(k) feature of this plan, which was subsequently amended effective January 1, 2008, whereby we will make an annual matching contribution to each participant's plan account. The fiscal 2009 annual matching contribution provided that we would match 100% of the participant's contributions up to 3% of the participant's eligible compensation for the year. In the event the participant's contributions exceeded 3% of their eligible compensation for the year, we would match 50% of the next 2% of the participant's eligible compensation for the year. The contribution expense for our matching contributions to the 401(k) plan reduced dollar for dollar the profit sharing contributions that would otherwise have been made to the profit sharing plan. During fiscal 2009, the Company eliminated the discretionary component of the profit sharing plan but maintained the annual matching contribution. During fiscal 2010, the Company modified the annual matching contribution to make it discretionary based on Company profitability. Total profit sharing expense (including the matching contribution) was \$3.8 million, \$2.5 million and \$4.5 million for fiscal 2011, 2010 and 2009, respectively.

On January 1, 2000, we adopted a Supplemental Executive Retirement Plan ("SERP") for key employees and executive officers. On the last day of the calendar year, each participant's SERP account is credited with an amount equal to 20% of the participant's base salary for the year. Benefits payable under the SERP typically vest based on years of participation in the SERP, ranging from 0% vested for less than five years of participation to 100% vested at 10 years' participation (or age 65 if that occurs sooner). Amounts credited to a SERP account, plus earnings, are distributed following the executive's termination of employment. Earnings are based on the quarterly equivalent of the average of the annual yield set forth for each month during the quarter in the Moody's Corporate Bond Yield Averages. In February 2007, our Board of Directors fully vested the SERP account of Alec C. Covington, our President and Chief Executive Officer. Compensation expense related to the plan was \$0.9 million in fiscal 2011, \$0.9 million in fiscal 2010 and \$0.9 million in fiscal 2009.

We also have deferred compensation plans for a select group of management or highly compensated employees and for non-employee directors. The plans are unfunded and permit participants to defer receipt of a portion of their base salary, annual bonus or long-term incentive compensation in the case of employees, or cash compensation in the case of non-employee directors, which would otherwise be paid to them. The deferred amounts, plus earnings, are distributed following the executive's termination of employment or the director's termination of service on the Board. Earnings are based on the performance of phantom investments elected by the participant from a portfolio of investment options. Under the plans available to non-employee directors, the investment options include share units that correspond to shares of our common stock.

During fiscal 2004, we created and funded a benefits protection grantor trust to invest amounts deferred under these plans. A benefits protection or rabbi trust holds assets that would be available to pay benefits under a deferred compensation plan if the settler of the trust, such as us, is unwilling to pay benefits for any reason other than bankruptcy or insolvency. The rabbi trust now holds corporate-owned life insurance which is intended to fund potential future obligations. Assets in the trust remain subject to the claims of our general creditors, and the investment in the rabbi trust is classified in “other assets” on our consolidated balance sheets.

(17) Pension and Other Post-retirement Benefits

One of our subsidiaries has a qualified non-contributory retirement plan to provide retirement income for certain eligible full-time employees who are not covered by a union retirement plan. Pension benefits under the plan are based on length of service and compensation. Our subsidiary contributes amounts necessary to meet minimum funding requirements. This plan has been curtailed and no new employees can enter the plan.

We provide certain health care benefits for retired employees not subject to collective bargaining agreements. Such benefits are not provided to any employee who left us after December 31, 2003. Employees who left us on or before that date become eligible for those benefits when they reach early retirement age if they have met minimum age and service requirements. Effective December 31, 2006, we terminated these health care benefits for retired employees and their spouses or dependents that were eligible for coverage under Medicare. We provide coverage to retired employees and their spouses until the end of the month in which they become eligible for Medicare (which generally is age 65). Health care benefits for retirees are provided under a self-insured program administered by an insurance company.

We were required to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of our pension plan and other post-retirement benefits in the December 30, 2006, statement of financial position, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining, all of which were previously netted against the plan’s funded status in our statement of financial position. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit cost in the same periods will be recognized as a component of other comprehensive income. These amounts will be subsequently recognized as a component of net periodic benefit cost pursuant to our accounting policy for amortizing such amounts.

Accumulated other comprehensive income consists of the following amounts that have not yet been recognized in net periodic benefit cost:

(in thousands)	December 31, 2011		
	Pension	Other Post-retirement Benefits	Total
Unrecognized prior service credits	\$ -	\$ -	\$ -
Unrecognized actuarial losses (gains)	24,368	(258)	24,110
Unrecognized net periodic cost (benefit)	24,368	(258)	24,110
Less deferred taxes (benefit)	(9,504)	101	(9,403)
Total	\$ 14,864	\$ (157)	\$ 14,707

(in thousands)	January 1, 2011		
	Pension	Other Post-retirement Benefits	Total
Unrecognized prior service credits	\$ -	\$ (21)	\$ (21)
Unrecognized actuarial losses (gains)	17,800	(206)	17,594
Unrecognized net periodic cost (benefit)	17,800	(227)	17,573
Less deferred taxes (benefit)	(6,942)	88	(6,854)
Total	<u>\$ 10,858</u>	<u>\$ (139)</u>	<u>\$ 10,719</u>

The prior service credits and actuarial losses (gains) included in accumulated other comprehensive income and expected to be recognized in net periodic cost (benefit) during the fiscal year ended December 29, 2012 are \$2,256,000 and (\$23,000) related to pension and other post-retirement benefits, respectively.

Funded Status

The following table sets forth the actuarial present value of benefit obligations and funded status of the curtailed pension plan and other post-retirement benefits for the years ended.

(in thousands)	Pension Benefits		Other Post-retirement Benefits	
	2011	2010	2011	2010
<u>Funded Status</u>				
<u>Projected benefit obligation</u>				
Beginning of year	\$ (43,125)	\$ (41,049)	\$ (744)	\$ (761)
Interest cost	(2,121)	(2,211)	(35)	(39)
Participant contributions	-	-	(36)	(44)
Actuarial gain (loss)	(6,843)	(3,005)	67	78
Benefits paid	3,519	3,140	27	22
End of year	<u>(48,570)</u>	<u>(43,125)</u>	<u>(721)</u>	<u>(744)</u>
<u>Fair value of plan assets</u>				
Beginning of year	29,762	29,652	-	-
Actual return on plan assets	576	2,345	-	-
Employer contributions	6,076	905	(9)	(22)
Participant contributions	-	-	36	44
Benefits paid	(3,519)	(3,140)	(27)	(22)
End of year	<u>32,895</u>	<u>29,762</u>	<u>-</u>	<u>-</u>
Funded status	<u>(15,675)</u>	<u>(13,363)</u>	<u>(721)</u>	<u>(744)</u>
Accumulated benefit obligation	<u>\$ (48,570)</u>	<u>\$ (43,125)</u>	<u>\$ (721)</u>	<u>\$ (744)</u>

Amounts recognized in the consolidated balance sheets consist of:

(in thousands)	Pension Benefits		Other Post-retirement Benefits	
	2011	2010	2011	2010
Current liabilities	\$ -	\$ -	\$ (104)	\$ (118)
Non-current liabilities	(15,675)	(13,363)	(617)	(626)
Deferred tax asset (liability)	9,504	6,942	(101)	(88)
Accumulated other comprehensive loss (income)	14,864	10,858	(157)	(139)
Net amount recognized	<u>\$ 8,693</u>	<u>\$ 4,437</u>	<u>\$ (979)</u>	<u>\$ (971)</u>

Components of net periodic benefit cost (income)

The aggregate costs for our retirement benefits included the following components:

(in thousands)	Pension Benefits			Other Benefits		
	2011	2010	2009	2011	2010	2009
Interest cost	\$ 2,121	\$ 2,211	\$ 2,327	\$ 35	\$ 39	\$ 48
Expected return on plan assets	(1,877)	(1,854)	(1,790)	-	-	-
Amortization of prior service credits	-	-	-	(21)	(30)	(82)
Recognized actuarial loss (gain)	1,576	1,401	1,370	(16)	(6)	(5)
Net periodic benefit cost (gain)	<u>\$ 1,820</u>	<u>\$ 1,758</u>	<u>\$ 1,907</u>	<u>\$ (2)</u>	<u>\$ 3</u>	<u>\$ (39)</u>

Assumptions

Weighted-average assumptions used to determine benefit obligations at December 31, 2011 and January 1, 2011:

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Discount rate	4.35%	5.10%	4.35%	5.10%
Rate of compensation increase	N/A	N/A	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31, 2011 and January 1, 2011:

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Discount rate	5.1%	5.6%	5.1%	5.6%
Expected return on plan assets	6.0%	6.5%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A

Assumed health care cost trend rates were as follows:

	December 31, 2011	January 1, 2011
Current year trend rate	7.00%	8.00%
Ultimate year trend rate	5.00%	5.00%
Year of ultimate trend rate	2014	2014

Assumed health care cost trend rates have an effect on the fiscal 2011 amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects (in thousands):

	1% <u>Increase</u>	1% <u>Decrease</u>
Effect on total of service and interest cost components	\$ -	\$ -
Effect on post-retirement benefit obligation	2	(2)

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) became law in the United States. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least “actuarially equivalent” to Medicare. We believe that our postretirement benefit plan is not actuarially equivalent to Medicare Part D under the Act and consequently will not receive significant subsidies under the Act.

Pension Plan Investment Policy, Strategy and Assets

Our investment policy is to invest in equity, fixed income and other securities to cover cash flow requirements of the plan and minimize long-term costs. The targeted allocation of assets is 50% group annuity contract and 50% equity and debt securities. The pension plan’s weighted-average asset allocation by asset category is as follows:

	December 31, 2011	January 1, 2011
Equity securities	51%	34%
Debt securities	0%	13%
Group annuity contract	49%	53%

Pension Plan Investment Valuation

Equity and debt securities consist of mutual funds which are public investment vehicles valued using the Net Asset Value (“NAV”) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the fair value hierarchy of ASC 820.

The group annuity contract is an immediate participation contract held with an insurance company that acts as custodian of the pension plan’s assets. The group annuity contract is stated at contract value as determined by the custodian, which approximates fair value. We evaluate the general financial condition of the custodian as a component of validating whether the calculated contract value is an accurate approximation of fair value. The review of the general financial condition of the custodian is considered obtainable/observable through the review of readily available financial information the custodian is required to file with the Securities and Exchange Commission. The group annuity contract is classified within level 3 of the valuation hierarchy of ASC 820.

The following tables sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2011 and January 1, 2011:

(in thousands)	Investments at fair value - December 31, 2011			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 16,674	\$ -	\$ -	\$ 16,674
Debt securities	-	-	-	-
Group annuity contract	-	-	16,221	16,221
Total investments	<u>\$ 16,674</u>	<u>\$ -</u>	<u>\$ 16,221</u>	<u>\$ 32,895</u>

(in thousands)	Investments at fair value - January 1, 2011			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 9,992	\$ -	\$ -	\$ 9,992
Debt securities	3,771	-	-	3,771
Group annuity contract	-	-	15,999	15,999
Total investments	<u>\$ 13,763</u>	<u>\$ -</u>	<u>\$ 15,999</u>	<u>\$ 29,762</u>

The following tables set forth a summary of changes in the fair value of the pension plan's level 3 assets for the years ended December 31, 2011 and January 1, 2011:

(in thousands)	Group annuity contract
Balance at 1/1/2011	\$ 15,999
Interest income	877
Realized gains/(losses)	243
Purchases, sales, issuances and settlements (net)	(898)
Balance at 12/31/2011	<u>\$ 16,221</u>

(in thousands)	Group annuity contract
Balance at 1/2/2010	\$ 16,128
Interest income	918
Realized gains/(losses)	194
Purchases, sales, issuances and settlements (net)	(1,241)
Balance at 1/1/2011	<u>\$ 15,999</u>

Estimated Future Benefits Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (in thousands):

Year	Pension Benefits	Other Benefits
2012	\$ 3,257	\$ 104
2013	3,206	93
2014	3,184	71
2015	3,223	58
2016	3,250	44
2017 or later	16,163	185
	\$ 32,283	\$ 555

Expected Long-Term Rate of Return

The expected return assumption was based on asset allocations and the expected return and risk components of the various asset classes in the portfolio. This assumption is assumed to be reasonable over a long-term period that is consistent with the liabilities. Management has reviewed these assumptions and takes responsibility for the valuation of pension assets and obligations.

Employer Contributions

Pension Plan

We anticipate making contributions of \$3.5 million during the measurement year ending December 29, 2012.

Multi-Employer Plans

Approximately 6.2% of our employees are covered by collectively-bargained pension plans. Contributions are determined in accordance with the provisions of negotiated union contracts and are generally based on the number of hours worked. Amounts contributed to those plans were \$3.3 million, \$3.3 million and \$3.5 million in fiscal 2011, 2010 and 2009, respectively.

Certain of our unionized employees are covered by the Central States Southeast and Southwest Areas Pension Funds (“the Plan”), a multi-employer pension plan. Contributions are determined in accordance with the provisions of negotiated union contracts and are generally based on the number of hours worked. Based on the most recent information available, we believe the present value of actuarial accrued liabilities of the Plan substantially exceeds the value of the assets held in trust to pay benefits. The underfunding is not a direct obligation or liability of the Company. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to the Plan, the Company could trigger a substantial withdrawal liability. However, the amount of any increase in contributions will depend upon several factors, including the number of employers contributing to the Plan, results of the Company’s collective bargaining efforts, investment returns on assets held by the Plan, actions taken by the trustees of the Plan, and actions that the Federal government may take. We are currently unable to reasonably estimate a withdrawal liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and can be reasonably estimated.

The following table provides additional information about the Plan and our participation in it:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Company Contributions to Plan			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2011	2010		2011	2010	2009		
Central States, Southeast and Southwest Areas Pension Plan	36-6044243-001	Red as of 12/31/10	Red as of 12/31/09	Yes	\$ 3,304,000	\$ 3,336,000	\$ 3,546,000	Yes	1/26/2013 to 2/24/2014 ^(a)

^(a) The Company is party to three collective-bargaining agreements that require contributions to the Central States, Southeast and Southwest Areas Pension Plan. These agreements cover warehouse personnel and drivers in our Bellefontaine, Ohio and Lima, Ohio distribution centers.

For each of the years reported on, our annual contributions to the Plan have not exceeded more than 5 percent of total employer contributions to the Plan, as indicated in the Plan's most recently available annual report for the year ended December 31, 2010.

(18) Segment Information

We sell and distribute products that are typically found in supermarkets and operate three reportable operating segments. The Military segment consists primarily of seven distribution centers that distribute products exclusively to military commissaries and exchanges. During fiscal 2010, our military distribution centers in Columbus, Georgia and Bloomington, Indiana became operational. Excluded from the Military segment totals are two adjacent military distribution centers we purchased during the third quarter of fiscal 2010 in Oklahoma City, Oklahoma, which are scheduled to become operational during fiscal 2012. Our food distribution segment consists of 14 distribution centers that sell to independently operated retail food stores, our corporate owned stores and other customers. During the third quarter of fiscal 2010, we closed our food distribution center in Bridgeport, Michigan at the end of its lease term. The retail segment consists of 46 corporate-owned stores that sell directly to the consumer. We sold four retail stores and closed two retail stores during fiscal 2011. We closed two retail stores during fiscal 2010.

We evaluate segment performance and allocate resources based on profit or loss before income taxes, interest associated with corporate debt and other discrete items. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies.

Inter-segment sales are recorded on a market price-plus-fee and freight basis. For segment financial reporting purposes, a portion of the operational profits recorded at our distribution centers related to corporate-owned stores is allocated to the Retail segment. Certain revenues and costs from our distribution centers are specifically identifiable to either the independent or corporate-owned stores that they serve. The revenues and costs that are specifically identifiable to corporate-owned stores are allocated to the Retail segment. Those that are specifically identifiable to independent customers are recorded in the Food Distribution segment. The remaining revenues and costs that are not specifically identifiable to either the independent or corporate-owned stores are allocated to the Retail segment as a percentage of corporate-owned store distribution sales to total distribution center sales. For fiscal 2011, 24% of such warehouse operational profits were allocated to the Retail segment compared to 23% and 18% in fiscal 2010 and 2009, respectively.

Major Segments of the Business
Year end December 31, 2011

(in thousands)	Military	Food Distribution	Retail	Total
Revenue from external customers	\$ 2,340,277	\$ 1,996,968	\$ 469,970	\$ 4,807,215
Inter-segment revenue	-	237,328	-	237,328
Interest income	-	(39)	-	(39)
Interest expense (including capitalized lease interest)	(1)	(39)	3,603	3,563
Depreciation expense	10,044	17,920	7,740	35,704
Segment profit	50,412	23,745	5,602	79,759
Assets	497,224	460,498	113,895	1,071,617
Expenditures for long-lived assets	53,501	9,038	6,061	68,600

Major Segments of the Business
Year end January 1, 2011

(in thousands)	Military	Food Distribution	Retail	Total
Revenue from external customers	\$ 2,289,987	\$ 2,183,730	\$ 518,262	\$ 4,991,979
Inter-segment revenue	-	258,175	-	258,175
Interest income	-	(37)	-	(37)
Interest expense (including capitalized lease interest)	12	(36)	3,633	3,609
Depreciation expense	6,269	19,674	10,176	36,119
Segment profit	51,301	33,650	6,660	91,611
Assets	441,866	490,467	115,470	1,047,803
Expenditures for long-lived assets	48,356	8,777	2,162	59,295

Major Segments of the Business
Year end January 2, 2010

(in thousands)	Military	Food Distribution	Retail	Total
Revenue from external customers	\$ 2,254,395	\$ 2,385,930	\$ 572,330	\$ 5,212,655
Inter-segment revenue	-	290,523	-	290,523
Interest income	-	(26)	-	(26)
Interest expense (including capitalized lease interest)	32	(25)	3,438	3,445
Depreciation expense	5,689	23,228	11,686	40,603
Segment profit	48,057	38,860	396	87,313
Assets	369,201	497,327	127,558	994,086
Expenditures for long-lived assets	10,760	12,898	6,744	30,402

Reconciliation

(in thousands)	2011	2010	2009
<i>Revenues</i>			
Total external revenue for segments	\$ 4,807,215	\$ 4,991,979	\$ 5,212,655
Inter-segment revenue from reportable segments	237,328	258,175	290,523
Elimination of inter-segment revenues	(237,328)	(258,175)	(290,523)
Total consolidated revenues	<u>\$ 4,807,215</u>	<u>\$ 4,991,979</u>	<u>\$ 5,212,655</u>
<i>Profit</i>			
Total profit for segments	\$ 79,759	\$ 91,611	\$ 87,313
Unallocated amounts:			
Interest	(21,331)	(19,485)	(20,928)
Goodwill impairment	-	-	(50,927)
Gain on acquisition of a business	-	-	6,682
Gain on litigation settlement	-	-	7,630
Special charge	-	-	(6,020)
Earnings before income taxes	<u>\$ 58,428</u>	<u>\$ 72,126</u>	<u>\$ 23,750</u>
<i>Assets</i>			
Total assets for segments	\$ 1,071,617	\$ 1,047,803	\$ 994,086
Unallocated corporate assets	2,151	2,872	5,450
Total consolidated assets	<u>\$ 1,073,768</u>	<u>\$ 1,050,675</u>	<u>\$ 999,536</u>

All revenues are attributed to and all assets are held in the United States. Our market areas are in the Midwest, Mid-Atlantic, Great Lakes and Southeast United States.

NASH FINCH COMPANY AND SUBSIDIARIES Quarterly Financial Information (Unaudited) (In thousands, except per share amounts and percent to sales)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	12 Weeks		12 Weeks		16 Weeks		12 Weeks	
	2011	2010	2011	2010	2011	2010	2011	2010
Sales	\$ 1,099,809	\$ 1,179,693	\$ 1,099,575	\$ 1,154,617	\$ 1,471,357	\$ 1,510,881	\$ 1,136,474	\$ 1,146,788
Cost of sales	1,010,820	1,087,873	1,008,998	1,060,280	1,357,669	1,388,926	1,049,702	1,054,112
Gross profit	88,989	91,820	90,577	94,337	113,688	121,955	86,772	92,676
Earnings before income taxes	12,370	13,330	16,614	17,966	16,737	22,830	12,707	18,000
Income tax expense	4,889	5,389	6,563	7,252	6,644	7,484	4,527	1,060
Net earnings	7,481	7,941	10,051	10,714	10,093	15,346	8,180	16,940
Net earnings as percentage of sales	0.68%	0.67%	0.91%	0.93%	0.69%	1.02%	0.72%	1.48%
Basic earnings per share	\$ 0.59	\$ 0.61	\$ 0.79	\$ 0.83	\$ 0.78	\$ 1.21	\$ 0.63	\$ 1.34
Diluted earnings per share	\$ 0.57	\$ 0.59	\$ 0.77	\$ 0.81	\$ 0.77	\$ 1.18	\$ 0.62	\$ 1.30

Significant items by quarter include the following:

1. Restructuring costs related to Food Distribution overhead centralization of \$0.5 million, \$0.9 million, and \$0.2 million during the second, third, and fourth quarters, respectively, of fiscal 2011.
2. Unusual professional fees of \$2.0 million and \$0.5 million during the third and fourth quarters, respectively, of fiscal 2011.
3. Conversion and transition costs related to new military food distribution facilities of \$0.9 million, \$0.3 million, \$0.4 million, and \$0.4 million during the first, second, third, and fourth quarters, respectively, of fiscal 2011.
4. Non-cash LIFO charges of \$0.5 million, \$2.1 million, \$7.1 million, and \$4.5 million during the first, second, third, and fourth quarters, respectively, of fiscal 2011.
5. The write off of \$1.8 million in deferred financing costs during the fourth quarter of fiscal 2011 due to the refinancing of the Company's asset-backed credit agreement.
6. A loss on the write-down of long-lived assets of \$2.0 million and \$0.1 million during the first and second quarters, respectively, of fiscal 2011.
7. Conversion and opening costs related to opening of new military food distribution facilities of \$0.4 million, \$0.3 million, \$1.1 million and \$1.1 million during the first, second, third and fourth quarters, respectively, of fiscal 2010.
8. Closing costs related to a food distribution facility of \$1.2 million and \$0.5 million during the second and third quarters, respectively, of fiscal 2010.
9. The reversal of previously recorded income tax reserves of \$2.2 million and \$4.7 million during the third and fourth quarters, respectively, of fiscal 2010.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report On Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011. In conducting its evaluation, our management used the criteria set forth by the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded our internal control over financial reporting was effective as of December 31, 2011.

Our internal control over financial reporting as of December 31, 2011 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report included below.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders Nash Finch Company

We have audited Nash-Finch Company and subsidiaries' (a Delaware Corporation) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Nash-Finch Company and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Nash-Finch Company and subsidiaries' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nash-Finch Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nash-Finch Company and subsidiaries as of December 31, 2011 and January 1, 2011, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2011 and our report dated March 1, 2012 expressed an unqualified opinion thereon.

Grant Thornton LLP

Minneapolis, Minnesota
March 1, 2012

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information about our executive officers as of March 1, 2012:

Name	Age	Year First Elected or Appointed as an Executive Officer	Title
Alec C. Covington	54	2006	President and Chief Executive Officer
Christopher A. Brown	49	2006	Executive Vice President, President and Chief Operating Officer of Wholesale
Edward L. Brunot	48	2006	Executive Vice President, President and Chief Operating Officer of MDV
Robert B. Dimond	50	2007	Executive Vice President, Chief Financial Officer and Treasurer
Kathleen M. Mahoney	57	2006	Executive Vice President, General Counsel and Secretary
Calvin S. Sihilling	62	2006	Executive Vice President and Chief Information Officer
Michael W. Rotelle III	52	2008	Senior Vice President, Human Resources

There are no family relationships between or among any of our executive officers or directors. Our executive officers are elected by the Board of Directors for one-year terms after initial election, commencing with their election at the first meeting of the Board of Directors immediately following the annual meeting of stockholders and continuing until the next such meeting of the Board of Directors.

Alec C. Covington has been our President and Chief Executive Officer and a Director since May 2006. Mr. Covington served as President and Chief Executive Officer of Tree of Life, Inc., a marketer and distributor of natural and specialty foods, from February 2004 to May 2006, and for the same period as a member of the Executive Board of Tree of Life's parent corporation, Royal Wessanen NV, a multi-national food corporation based in the Netherlands. From April 2001 to February 2004, he was Chief Executive Officer of AmeriCold Logistics, LLC, a provider of supply chain solutions in the consumer packaged goods industry. Prior to that time, Mr. Covington served as President of Richfood Inc., a regional food distributor.

Christopher A. Brown has served as our Executive Vice President and President and Chief Operating Officer of Nash Finch Wholesale since February 2010. Mr. Brown returned to Nash Finch as Executive Vice President, Food Distribution in November 2006. Prior to that time, he served for three years as Chief Executive Officer of SimonDelivers, Inc., a leading Minnesota-based online grocery delivery company. Prior to joining SimonDelivers, Mr. Brown was our Executive Vice President, Merchandising from October 1999 to September 2003 and responsible for all merchandising, procurement, marketing, category management and advertising. During the nine years prior to serving Nash Finch, he held various management positions of increasing responsibility at Richfood Holdings, Inc. Mr. Brown holds a BSBA degree from Winona State University.

Edward L. Brunot has served as our Senior Vice President and President and Chief Operating Officer of MDV since February 2009. Mr. Brunot joined Nash Finch in July 2006 as our Senior Vice President, Military. Mr. Brunot previously served as Senior Vice President, Operations for AmeriCold Logistics, LLC from December 2002 to May 2006, where he was responsible for 29 distribution facilities in the Western Region. Before that, Mr. Brunot was Vice President of Operations for CS Integrated from 1999 to 2002. Mr.

Brunot served as a Captain in the United States Army and holds a BS degree from the United States Military Academy, West Point and an MS degree from the University of Scranton.

Robert B. Dimond returned as our Executive Vice President, Chief Financial Officer and Treasurer in January 2007. He previously served as Chief Financial Officer and Senior Vice President of Wild Oats Markets, Inc., a leading national natural and organic foods retailer, from April 2005 to December 2006. From January 2005 through March 2005, Mr. Dimond served as Executive Vice President and Chief Financial Officer of The Penn Traffic Company, a food retailer in the eastern United States, in connection with its emergence from bankruptcy proceedings. Prior to that, he served as our Executive Vice President, Chief Financial Officer and Treasurer from May 2002 to November 2004 and as our Chief Financial Officer and Senior Vice President from September 2000 to May 2002. Before that, Mr. Dimond held various financial roles with Kroger and Smith's Food & Drug Centers, Inc. Mr. Dimond holds a BS degree in accounting from the University of Utah and is a Certified Public Accountant.

Kathleen M. Mahoney has served as our Executive Vice President, General Counsel and Secretary since November 2009. Prior to that Ms. Mahoney served as our Senior Vice President, General Counsel and Secretary since July 2006. Ms. Mahoney joined Nash Finch as Vice President, Deputy General Counsel in November 2004. Prior to working at Nash Finch, she was the Managing Partner of the St. Paul office of Larson King, LLP from July 2002 to November 2004. Previously, she spent 13 years with the law firm of Oppenheimer, Wolff & Donnelly, LLP, where she served in a number of capacities including Managing Partner of their St. Paul office, Chair of the Labor and Employment Practice Group and Chair of the EEO Committee. Ms. Mahoney also served as Special Assistant Attorney General in the Minnesota Attorney General's office for six years. Ms. Mahoney earned her JD degree from Syracuse University College of Law and a BA from Keene State College.

Calvin S. Sihilling has served as our Executive Vice President and Chief Information Officer since August 2006. Mr. Sihilling previously served as Chief Information Officer for AmeriCold Logistics, LLC from August 2001 to January 2006, where he was responsible for the oversight of Information Technology, Transportation, Project Support, and the National Service Center. Before that, Mr. Sihilling was CIO of the Eastern Region of Richfood Holdings, Inc./SuperValu Inc. from August 1998 to August 2001. Prior to that, Mr. Sihilling held various leadership positions at such companies as Alex Lee, Inc., PepsiCo Food Systems, Dr. Pepper Company and Electronic Data Systems. Mr. Sihilling holds a BS from the Northrop Institute of Technology.

Michael W. Rotelle III has served as our Senior Vice President, Human Resources since October 2008. Mr. Rotelle previously served as Executive Vice President, Human Resources for Acosta Sales and Marketing Company, a sales and marketing company serving the foodservice and grocery industries, from November 2007 to October 2008, where he was responsible for global Human Resource operations. Before that Mr. Rotelle served as Senior Vice President, Human Resources for Tree of Life, Inc. from August 2004 to November 2007. Prior to that Mr. Rotelle was Vice President, Human Resources of the Eastern Region of Richfood Holdings, Inc./ SuperValu Inc. from August 1994 to August 2004. Before that Mr. Rotelle held various operational and Human Resource positions with Rotelle, Inc. Mr. Rotelle holds a Bachelor of Science degree in Business Administration from Bloomsburg University.

The remaining information required by this item is incorporated by reference to the sections titled "Proposal Number 1: Election of Directors—Information About Directors and Nominees," "Proposal Number 1: Election of Directors—Information About the Board of Directors and Its Committees," "Corporate Governance—Governance Guidelines," "Corporate Governance—Director Candidates" and "Section 16(a) Beneficial Ownership Reporting Compliance" of our 2012 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the sections titled “Proposal Number 1: Election of Directors—Compensation of Directors,” “Proposal Number 1: Election of Directors—Compensation and Management Development Committee Interlocks and Insider Participation” and “Executive Compensation and Other Benefits” of our 2012 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides information about Nash Finch common stock that may be issued upon the exercise of stock options, the payout of share units or performance units, or the granting of other awards under all of Nash Finch’s equity compensation plans in effect as of December 31, 2011:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,399,001 (1)	621,676 (2)
Equity compensation plans not approved by security holders	-	18,932 (3)
	1,399,001	640,608

(1) Includes stock options, stock appreciation rights, restricted stock units and performance units awarded under the 2009 Incentive Award Plan (“2009 Plan”) and 2000 Stock Incentive Plan (“2000 Plan”).

(2) The following numbers of shares remained available for issuance under each of our equity compensation plans at December 31, 2011. Grants under each plan may be in the form of any of the types of awards noted:

Plan	Number of Shares	Type of Award
2009 Plan	431,139	Stock options, restricted stock, stock appreciation rights, performance units, and stock bonuses.
2000 Plan	155,449	Stock options, restricted stock, stock appreciation rights, performance units, and stock bonuses.
1997 Director Plan	35,088	Share units

(3) Shares remaining available for issuance under the Director Deferred Compensation Plan. Each share unit acquired through the deferral of director compensation under the Director Deferred Compensation Plan is payable in one share of Nash Finch common stock following the individual’s termination of service as a director.

Description of Plans Not Approved by Shareholders

Director Deferred Compensation Plan. The Director Deferred Compensation Plan was adopted by the Board in December 2004 as a result of amendments to the Internal Revenue Code that affected the operation of non-qualified deferred compensation arrangements for amounts deferred on or after January 1, 2005. The

Board reserved 50,000 shares of Nash Finch common stock for issuance in connection with the plan. The plan permits a participant to annually defer all or a portion of his or her cash compensation for service as a director, and have the amount deferred credited to either a cash account or a share account. Amounts credited to a share account are deemed to have purchased a number of share units determined by dividing the amount deferred by the then-current market price of a share of Nash Finch common stock. Each share unit represents the right to receive one share of Nash Finch common stock. The balance in a share account is payable only in stock following termination of service as a director.

Security Ownership of Certain Beneficial Owners and Management

In addition to the information set forth above, the information required by this item is incorporated by reference to the sections titled “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management” of our 2012 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the sections titled “Proposal Number 1: Election of Directors—Information About the Board of Directors and Its Committees,” “Corporate Governance—Governance Guidelines—Independent Directors” and “Corporate Governance—Related Party Transaction Policy and Procedures” of our 2012 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the sections titled “Independent Auditors—Fees Paid to Independent Auditors” and “Independent Auditors—Pre-Approval of Audit and Non-Audit Services” of our 2012 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements.

The following financial statements are included in this report on the pages indicated:

Reports of Independent Registered Public Accounting Firms – pages 41 to 42

Consolidated Statements of Income for the fiscal years ended December 31, 2011, January 1, 2011 and January 2, 2010 - page 43

Consolidated Balance Sheets as of December 31, 2011 and January 1, 2011 – page 44

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2011, January 1, 2011 and January 2, 2010 - page 45

Consolidated Statements of Stockholders' Equity for the fiscal years ended December 31, 2011, January 1, 2011 and January 2, 2010 - page 46

Notes to Consolidated Financial Statements - pages 47 to 80

2. Financial Statement Schedules.

The following financial statement schedule is included herein and should be read in conjunction with the consolidated financial statements referred to above:

Other Schedules. Other schedules are omitted because the required information is either inapplicable or presented in the consolidated financial statements or related notes.

3. Exhibits.

Exhibit

<u>No.</u>	<u>Description</u>
*2.1	Asset Purchase Agreement between Roundy's, Inc. and Nash-Finch Company, dated as of February 24, 2005 (incorporated by reference to Exhibit 2.1 to our current report on Form 8-K filed February 28, 2005 (File No. 0-785)).
*2.2	Asset Purchase Agreement between GSC Enterprises, Inc., MKM Management, L.L.C., Michael K. McKenzie, Grocery Supply Acquisition Corp. and Nash-Finch Company, dated as of December 17, 2008 (incorporated by reference to Exhibit 1.01 to our current report on Form 8-K filed December 18, 2008 (File No. 0-785)).
*2.3	First Amendment to Asset Purchase Agreement between GSC Enterprises, Inc., MKM Management, L.L.C., Michael K. McKenzie, Grocery Supply Acquisition Corp. and Nash-Finch Company, dated as of January 31, 2009 (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed February 3, 2009 (File No. 0-785)).
3.1	Restated Certificate of Incorporation of the Company, effective May 16, 1985 (incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K for the fiscal year ended December 28, 1985 (File No. 0-785)).
3.2	Certificate of Amendment to Restated Certificate of Incorporation of the Company, effective May 15, 1987 (incorporated by reference to Exhibit 4.5 to our Registration Statement on Form S-3 (filed June 8, 1987 (File No. 33-14871)).
3.3	Certificate of Amendment to Restated Certificate of Incorporation of the Company, effective May 16, 2002 (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended June 15, 2002 (File No. 0-785)).
3.4	Certificate of Amendment to Restated Certificate of Incorporation of the Company, effective May 13, 2008 (incorporated by reference to Exhibit 3.1 to our current report on Form 8-K dated May 16, 2008 (File No. 0-785)).
3.5	Certificate of Amendment to the Nash-Finch Company Restated Certificate of Incorporation, effective May 20, 2009 (incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed May 26, 2009 (File No. 0-785)).
3.6	Fourth Restated Certificate of Incorporation of Nash Finch Company, effective July 27, 2009 (incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q filed July 28, 2009 (File No. 0-785)).
3.7	Nash-Finch Company Bylaws (as amended November 9, 2005) (incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed November 14, 2005 (File No. 0-785)).
3.8	Amended and Restated Bylaws of Nash-Finch Company (as amended May 13, 2008) (incorporated by reference to Exhibit 3.2 to our current report on Form 8-K/A filed May 19, 2008 (File No. 0-785)).
3.9	Amended and Restated Bylaws of Nash Finch Company (as amended May 20, 2009) (incorporated by reference to Exhibit 3.2 to our current report on Form 8-K/A filed July 6, 2009 (File No. 0-785)).

- 3.10 Amended and Restated Bylaws of Nash Finch Company (as amended February 28, 2011) (incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed May 23, 2011 (File No. 0-785)).
- 4.1 Stockholder Rights Agreement, dated February 13, 1996, between the Company and Wells Fargo Bank, N.A. (formerly known as Norwest Bank Minnesota, National Association) (incorporated by reference to Exhibit 4 to our current report on Form 8-K dated February 13, 1996 (File No. 0-785)).
- 4.2 Amendment to Stockholder Rights Agreement dated as of October 30, 2001 (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to our Registration Statement on Form 8-A (filed July 26, 2002) (File No. 0-785)).
- 4.3 Indenture dated as of March 15, 2005 between Nash-Finch Company and Wells Fargo Bank, National Association, as Trustee (including form of Senior Subordinated Convertible Notes due 2035) (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed March 9, 2005 (File No. 0-785)).
- 4.4 Registration Rights Agreement dated as of March 15, 2005 between Nash-Finch Company and Deutsche Bank Securities Inc., Merrill Lynch & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 10.2 to our current report on Form 8-K filed March 9, 2005 (File No. 0-785)).
- 4.5 Notice of Adjustment of Conversion Rate of the Senior Subordinated Convertible Notes Due 2035 (incorporated by reference to Exhibit 99.1 to our current report on Form 8-K filed November 21, 2006 (File No. 0-785)).
- 4.6 First Supplemental Indenture to Senior Convertible Notes Due 2035 (incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q for the quarter ended June 14, 2008 (File No. 0-785)).
- 4.7 Notice of Adjustment of Conversion Rate of Senior Subordinated Convertible Notes Due 2035 (incorporated by reference to Exhibit 7.1 to our current report on Form 8-K filed March 25, 2009 (File No. 0-785)).
- 10.1 Credit Agreement, dated as of December 21, 2011, among Nash Finch Company, Various Lenders and Wells Fargo Capital Finance, LLC as Administrative Agent (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed December 23, 2011 (File No. 0-785)).
- **10.2 Nash-Finch Company Income Deferral Plan (as amended through May 21, 2004) (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 filed May 25, 2004 (File No. 333-115849)).
- **10.3 Second Declaration of Amendment to Nash-Finch Company Income Deferral Plan (as amended through May 21, 2004) (incorporated by reference to Exhibit 10.4 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2005 (File No. 0-785)).
- **10.4 Nash-Finch Company Deferred Compensation Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 filed on December 30, 2004 (File No. 333-121755)).
- **10.5 Amended and Restated Nash-Finch Company Deferred Compensation Plan (incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K filed March 12, 2009 (File No. 0-785)).
- **10.6 Nash-Finch Company 2000 Stock Incentive Plan (as amended February 25, 2008) (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed May 16, 2008 (File No. 0-785)).

- **10.7 Nash-Finch Company 2000 Stock Incentive Plan (as amended and restated on July 14, 2008) (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K filed March 12, 2009 (File No. 0-785)).
- **10.8 Form of Non-Statutory Stock Option Agreement (for employees under the Nash-Finch Company 2000 Stock Incentive Plan) (incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2005 (File No. 0-785)).
- **10.9 Description of Nash-Finch Company Long-Term Incentive Program Utilizing Performance Unit Awards (incorporated by reference to Appendix I to our Proxy Statement for our Annual Meeting of Stockholders on May 10, 2005 (filed March 21, 2005) (File No. 0-785)).
- **10.10 Form of Non-Statutory Stock Option Agreement (for non-employee directors under the Nash-Finch Company 1995 Director Stock Option Plan) (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2005 (File No. 0-785)).
- **10.11 Nash-Finch Company 1997 Non-Employee Director Stock Compensation Plan (2003 Revision) (incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K for the fiscal year ended January 3, 2004 (File No. 0-785)).
- **10.12 Nash-Finch Company 1997 Non-Employee Director Stock Compensation Plan (2003 Revision) – First Declaration of Amendment (incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2005 (File No. 0-785)).
- **10.13 Nash-Finch Company 1997 Non-Employee Director Stock Compensation Plan (2003 Revision) – Second Declaration of Amendment (incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2005 (File No. 0-785)).
- **10.14 Nash-Finch Company Director Deferred Compensation Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 filed on December 30, 2004 (File No. 333-121754)).
- **10.15 Amended and Restated Nash-Finch Company Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K filed March 12, 2009 (File No. 0-785)).
- **10.16 Nash-Finch Company Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (File No. 0-785)).
- **10.17 Nash-Finch Company Supplemental Executive Retirement Plan (as amended and restated on July 14, 2008) (incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed March 12, 2009 (File No. 0-785)).
- **10.18 Nash-Finch Company Performance Incentive Plan (incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the quarter ended June 15, 2002 (File No. 0-785)).
- **10.19 Description of Nash-Finch Company 2005 Executive Incentive Program (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the twelve weeks ended March 26, 2005 (File No. 0-785)).
- **10.20 Form of Restricted Stock Unit Award Agreement (for non-employee directors under the 2000 Stock Incentive Plan) (incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2005 (File No. 0-785)).
- **10.21 Form of Amended and Restated Restricted Stock Unit Agreement (for non-employee directors under the 2000 Stock Incentive Plan) (incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K filed March 12, 2009 (File No. 0-785)).

- **10.22 New Form of Restricted Stock Unit Award Agreement (for non-employee directors under the 2000 Stock Incentive Plan) (incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed March 12, 2009 (File No. 0-785)).
- **10.23 Form of Restricted Stock Unit Award Agreement (under the 2000 Stock Incentive Plan) (incorporated by reference to Exhibit 10.1 to our Form 8-K filed August 11, 2006 (File No. 0-785)).
- **10.24 Form of Amended and Restated Restricted Stock Unit Award Agreement (under the 2000 Stock Incentive Plan) (incorporated by reference to Exhibit 10.3 to our Form 10-Q filed November 6, 2008 (File No. 0-785)).
- **10.25 New Form of Executive Restricted Stock Unit Agreement (under the 2000 Stock Incentive Plan), effective July 14, 2008 (incorporated by reference to Exhibit 10.2 to our Form 10-Q filed November 6, 2008 (File No. 0-785)).
- **10.26 Nash-Finch Company 2000 Stock Incentive Plan Performance Unit Award Agreement dated as of May 1, 2006 between the Company and Alec C. Covington (incorporated by reference to Exhibit 10.3 to our Form 10-Q for the quarter ended June 17, 2006 (File No. 0-785)).
- **10.27 Nash-Finch Company 2000 Stock Incentive Plan Restricted Stock Unit Award Agreement dated as of May 1, 2006 between the Company and Alec C. Covington (incorporated by reference to Exhibit 10.2 to our Form 10-Q for the quarter ended June 17, 2006 (File No. 0-785)).
- **10.28 Letter Agreement between Nash-Finch Company and Alec C. Covington dated March 16, 2006 (incorporated by reference to Exhibit 10.1 to our Form 8-K filed April 18, 2006 (File No. 0-785)).
- **10.29 Amendment to the Letter Agreement between Nash-Finch Company and Alec C. Covington dated February 27, 2007 (incorporated by reference to Exhibit 10.1 to our Form 8-K filed March 1, 2007 (File No. 0-785)).
- **10.30 Change in Control Agreement entered into by Nash-Finch Company and Alec. C. Covington dated February 26, 2008 (incorporated by reference to Exhibit 10.1 to our Form 8-K/A filed February 28, 2008 (File No. 0-785)).
- **10.31 Change in Control Agreement entered into by Nash-Finch Company and Alec. C. Covington dated February 28, 2011 (incorporated by reference to Exhibit 10.31 to our Form 10-K filed March 3, 2011 (File No. 0-785)).
- **10.32 Restricted Stock Unit Agreement between the Company and Alec C. Covington dated February 27, 2007 (incorporated by reference to Exhibit 10.2 to our Form 10-Q filed May 1, 2007 (File No. 0-785)).
- **10.33 Letter Agreement between Nash-Finch Company and Robert B. Dimond dated November 29, 2006 (incorporated by reference to Exhibit 10.1 to our Form 8-K filed December 21, 2006 (File No. 0-785)).
- **10.34 Amended Form of Change in Control Agreement for Senior and Executive Vice Presidents, effective November 3, 2008 (incorporated by reference to Exhibit 10.1 to our Form 10-Q filed November 6, 2008 (File No. 0-785)).
- **10.35 Form of Amended and Restated Indemnification Agreement (incorporated by reference to Exhibit 10.1 to our Form 10-Q filed November 13, 2007 (File No. 0-785)).
- **10.36 Stock Appreciation Rights Agreement under the Nash-Finch Company 2000 Stock Incentive Plan dated December 17, 2008 (incorporated by reference to Exhibit 10.2 to our Form 8-K filed February 3, 2009 (File No. 0-785)).

- **10.37 Amended and Restated Stock Appreciation Rights Agreement under the Nash-Finch Company 2000 Stock Incentive Plan dated December 17, 2008 (incorporated by reference to Exhibit 10.1 to our Form 10-Q filed May 4, 2009 (File No. 0-785)).
- **10.38 Nash-Finch Company Incentive Award Plan (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed May 26, 2009 (File No. 0-785)).
- **10.39 Nash Finch Company Performance Incentive Plan (incorporated by reference to Exhibit 10.2 to our current report on Form 8-K filed May 26, 2009 (File No. 0-785)).
- **10.40 Form of Change in Control Agreement entered into by Nash-Finch Company and Alec C. Covington dated February 27, 2012 (filed herewith).
- 12.1 Computation of Ratio of Earnings to Fixed Charges (filed herewith).
- 21.1 Our subsidiaries (filed herewith).
- 23.1 Consent of Grant Thornton LLP (filed herewith).
- 23.2 Consent of Ernst & Young LLP (filed herewith).
- 24.1 Power of Attorney (filed herewith).
- 31.1 Rule 13a-14(a) Certification of the Chief Executive Officer (filed herewith).
- 31.2 Rule 13a-14(a) Certification of the Chief Financial Officer (filed herewith).
- 32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (filed herewith).

A copy of any of these exhibits will be furnished at a reasonable cost to any of our stockholders, upon receipt from any such person of a written request for any such exhibit. Such request should be sent to Nash Finch Company, 7600 France Avenue South, P.O. Box 355, Minneapolis, Minnesota, 55440-0355, Attention: Secretary.

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- * The Company agrees to furnish supplementary to the SEC upon request by the SEC any omitted schedule or exhibit.
 - ** Items that are management contracts or compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of Form 10-K.

NASH FINCH COMPANY AND SUBSIDIARIES
Valuation and Qualifying Accounts
Fiscal Years ended December 31, 2011, January 1, 2011 and January 2, 2010
(In thousands)

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Charged to (Reversed from) Costs and Expenses</u>	<u>Charged (Credited) to Other Accounts (a)</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
52 weeks ended January 2, 2010:					
Allowance for doubtful accounts (c)	\$ 5,531	\$ 1,441	\$ 19	\$ 1,304 (b)	\$ 5,687
Provision for losses relating to leases on closed locations	8,007	3,135	-	1,891 (d)	9,251
	<u>\$ 13,538</u>	<u>\$ 4,576</u>	<u>\$ 19</u>	<u>\$ 3,195</u>	<u>\$14,938</u>
52 weeks ended January 1, 2011:					
Allowance for doubtful accounts (c)	\$ 5,687	\$ 663	\$ 1	\$ 160 (b)	\$ 6,191
Provision for losses relating to leases on closed locations	9,251	320	-	2,723 (d)	6,848
	<u>\$ 14,938</u>	<u>\$ 983</u>	<u>\$ 1</u>	<u>\$ 2,883</u>	<u>\$13,039</u>
52 weeks ended December 31, 2011:					
Allowance for doubtful accounts (c)	\$ 6,191	\$ 574	\$ 2	\$ 43 (b)	\$ 6,724
Provision for losses relating to leases on closed locations	6,848	755	-	2,062 (d)	5,541
	<u>\$ 13,039</u>	<u>\$ 1,329</u>	<u>\$ 2</u>	<u>\$ 2,105</u>	<u>\$12,265</u>

- (a) Recoveries on accounts previously written off, unless noted otherwise
- (b) Reversal of reserve relating to write-offs
- (c) Includes current and non-current receivables
- (d) Net payments of lease obligations and termination fees

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 1, 2012

NASH-FINCH COMPANY

By /s/ Alec C. Covington
Alec C. Covington
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on March 1, 2012 by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ Alec C. Covington
Alec C. Covington, President and Chief Executive Officer (Principal Executive Officer)

/s/ Robert B. Dimond
Robert B. Dimond, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

/s/ William R. Voss*
William R. Voss, Chairman of the Board

/s/ Mickey P. Foret*
Mickey P. Foret

/s/ Christopher W. Bodine *
Christopher W. Bodine

/s/ Douglas A. Hacker*
Douglas A. Hacker

/s/ Sam K. Duncan*
Sam K. Duncan

/s/Hawthorne L. Proctor*
Hawthorne L. Proctor

*By: /s/ Kathleen M. Mahoney
Kathleen M. Mahoney
Attorney-in-fact