

VILLAGE SUPER MARKET INC  
Form 10-Q  
December 03, 2014

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

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended: October 25, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File No. 0-2633

VILLAGE SUPER MARKET, INC.  
(Exact name of registrant as specified in its charter)

NEW JERSEY 22-1576170  
(State or other jurisdiction of incorporation or organization) (I. R. S. Employer Identification No.)

733 MOUNTAIN AVENUE, SPRINGFIELD, NEW JERSEY 07081  
(Address of principal executive offices) (Zip Code)

(973) 467-2200  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 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 whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer  Accelerated filer

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Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes \_\_\_\_\_ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

December 3, 2014

Class A Common Stock, No Par Value	9,696,583 Shares
Class B Common Stock, No Par Value	4,360,998 Shares

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VILLAGE SUPER MARKET, INC.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## VILLAGE SUPER MARKET, INC.

## CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands) (Unaudited)

	October 25, 2014	July 26, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$69,262	\$77,352
Merchandise inventories	45,227	44,694
Patronage dividend receivable	17,216	12,923
Deferred tax assets	12,548	12,077
Other current assets	14,208	15,740
Total current assets	158,461	162,786
Property, equipment and fixtures, net	204,285	206,720
Note receivable from Wakefern	41,008	40,598
Investment in Wakefern	25,750	25,012
Goodwill	12,057	12,057
Other assets	9,292	10,239
Total assets	\$450,853	\$457,412
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Capital and financing lease obligations	\$358	\$231
Notes payable to Wakefern	1,256	667
Accounts payable to Wakefern	60,668	66,004
Accounts payable and accrued expenses	13,103	15,859
Accrued wages and benefits	15,771	18,856
Income taxes payable	46,059	44,387
Total current liabilities	137,215	146,004
Long-term Debt		
Capital and financing lease obligations	44,055	44,168
Notes payable to Wakefern	1,051	1,074
Total long-term debt	45,106	45,242
Pension liabilities	24,576	23,876
Other liabilities	9,073	9,154
Commitments and contingencies		
Shareholders' Equity		
Preferred stock, no par value: Authorized 10,000 shares, none issued	—	—
Class A common stock, no par value: Authorized 20,000 shares; issued 10,150 shares at October 25, 2014 and 10,147 shares at July 26, 2014	47,855	47,056
	708	708

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Class B common stock, no par value: Authorized 20,000 shares; issued 4,361 shares  
at October 25, 2014 and July 26, 2014

Retained earnings	204,468	203,722	
Accumulated other comprehensive loss	(12,274	) (12,465	)
Less treasury stock, Class A, at cost: 453 shares at October 25, 2014 and 454 shares at July 26, 2014	(5,874	) (5,885	)
Total shareholders' equity	234,883	233,136	
Total liabilities and shareholders' equity	\$450,853	\$457,412	

See accompanying Notes to Consolidated Condensed Financial Statements.

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VILLAGE SUPER MARKET, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(In thousands, except per share amounts) (Unaudited)

	13 Weeks Ended	
	October 25, 2014	October 26, 2013
Sales	\$379,744	\$357,046
Cost of sales	276,941	263,340
Gross profit	102,803	93,706
Operating and administrative expense	88,988	82,352
Depreciation and amortization	5,903	5,105
Operating income	7,912	6,249
Interest expense	(1,134	) (740
Interest income	616	696
Income before income taxes	7,394	6,205
Income taxes	3,515	13,036
Net income (loss)	\$3,879	\$(6,831
Net income (loss) per share:		
Class A common stock:		
Basic	\$0.31	\$(0.55
Diluted	\$0.27	\$(0.55
Class B common stock:		
Basic	\$0.20	\$(0.36
Diluted	\$0.20	\$(0.36

See accompanying Notes to Consolidated Condensed Financial Statements.

VILLAGE SUPER MARKET, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands) (Unaudited)

	13 Weeks Ended	
	October 25, 2014	October 26, 2013
Net income (loss)	\$3,879	\$(6,831 )
Other comprehensive income:		
Amortization of pension actuarial loss, net of tax (1)	191	119
Comprehensive income (loss)	\$4,070	\$(6,712 )

Amounts are net of tax of \$133 and \$82 for the 13 weeks ended October 25, 2014 and October 26, 2013, (1) respectively. All amounts are reclassified from accumulated other comprehensive loss to Operating and administrative expense.

See accompanying Notes to Consolidated Condensed Financial Statements.

VILLAGE SUPER MARKET, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(In thousands) (Unaudited)

	13 Weeks Ended	
	October 25, 2014	October 26, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$3,879	\$(6,831)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,903	5,105
Non-cash share-based compensation	790	800
Deferred taxes	(809)	(4,690)
Provision to value inventories at LIFO	100	150
Changes in assets and liabilities:		
Merchandise inventories	(633)	(964)
Patronage dividend receivable	(4,293)	(4,189)
Accounts payable to Wakefern	(5,336)	(4,244)
Accounts payable and accrued expenses	(1,835)	(1,025)
Accrued wages and benefits	(3,085)	(2,270)
Income taxes payable	2,819	17,679
Other assets and liabilities	2,551	(1,736)
Net cash provided by (used in) operating activities	51	(2,215)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(4,386)	(16,520)
Investment in notes receivable from Wakefern	(410)	(396)
Net cash used in investing activities	(4,796)	(16,916)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options	13	217
Excess tax benefit related to share-based compensation	7	46
Principal payments of long-term debt	(232)	(163)
Dividends	(3,133)	(3,080)
Net cash used in financing activities	(3,345)	(2,980)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,090)</b>	<b>(22,111)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>77,352</b>	<b>109,571</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$69,262</b>	<b>\$87,460</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH PAYMENTS MADE FOR:</b>		
Interest	\$1,082	\$1,025
Income taxes	\$1,498	\$—
<b>NONCASH SUPPLEMENTAL DISCLOSURES:</b>		
Investment in Wakefern	\$738	\$657



See accompanying Notes to Consolidated Condensed Financial Statements.

VILLAGE SUPER MARKET, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(In thousands) (Unaudited)

### 1. BASIS OF PRESENTATION and ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal and recurring accruals) necessary to present fairly the consolidated financial position as of October 25, 2014 and the consolidated statements of operations, comprehensive income (loss) and cash flows for the thirteen week periods ended October 25, 2014 and October 26, 2013 of Village Super Market, Inc. (“Village” or the “Company”).

The significant accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements in the July 26, 2014 Village Super Market, Inc. Annual Report on Form 10-K, which should be read in conjunction with these financial statements. The results of operations for the periods ended October 25, 2014 are not necessarily indicative of the results to be expected for the full year.

### 2. MERCHANDISE INVENTORIES

At both October 25, 2014 and July 26, 2014, approximately 65% of merchandise inventories are valued by the LIFO method while the balance is valued by FIFO. If the FIFO method had been used for the entire inventory, inventories would have been \$14,670 and \$14,570 higher than reported at October 25, 2014 and July 26, 2014, respectively.

### 3. NET INCOME (LOSS) PER SHARE

The Company has two classes of common stock. Class A common stock is entitled to cash dividends as declared 54% greater than those paid on Class B common stock. Shares of Class B common stock are convertible on a share-for-share basis for Class A common stock at any time.

The Company utilizes the two-class method of computing and presenting net income (loss) per share. The two-class method is an earnings allocation formula that calculates basic and diluted net income per share for each class of common stock separately based on dividends declared and participation rights in undistributed earnings. Under the two-class method, Class A common stock is assumed to receive a 54% greater participation in undistributed earnings than Class B common stock, in accordance with the classes respective dividend rights. Unvested share-based payment awards that contain nonforfeitable rights to dividends are treated as participating securities and therefore included in computing net income per share using the two-class method.

Diluted net income per share for Class A common stock is calculated utilizing the if-converted method, which assumes the conversion of all shares of Class B common stock to Class A common stock on a share-for-share basis, as this method is more dilutive than the two-class method. Diluted net loss per share for Class A common stock is calculated using the two class method and does not assume conversion of Class B common stock to shares of Class A common stock as a result of its anti-dilutive effect. Diluted net income (loss) per share for Class B common stock does not assume conversion of Class B common stock to shares of Class A common stock.

The tables below reconcile the numerators and denominators of basic and diluted net income (loss) per share for all periods presented.

	13 Weeks Ended October 25, 2014	
	Class A	Class B
Numerator:		
Net income allocated, basic	\$2,912	\$877
Conversion of Class B to Class A shares	877	—
Effect of share-based compensation on allocated net income	2	—
Net income allocated, diluted	\$3,791	\$877
Denominator:		
Weighted average shares outstanding, basic	9,409	4,361
Conversion of Class B to Class A shares	4,361	—
Dilutive effect of share-based compensation	19	—
Weighted average shares outstanding, diluted	13,789	4,361
	13 Weeks Ended October 26, 2013	
	Class A	Class B
Numerator:		
Net loss allocated, basic	\$(5,064)	\$(1,601)
Conversion of Class B to Class A shares	—	—
Effect of share-based compensation on allocated net loss	—	—
Net loss allocated, diluted	\$(5,064)	\$(1,601)
Denominator:		
Weighted average shares outstanding, basic	9,136	4,413
Conversion of Class B to Class A shares	—	—
Dilutive effect of share-based compensation	—	—
Weighted average shares outstanding, diluted	9,136	4,413

Outstanding stock options to purchase Class A shares of 545 were excluded from the calculation of diluted net income per share for the thirteen weeks ended October 25, 2014 as a result of their anti-dilutive effect. In addition, 290 non-vested restricted Class A shares, which are considered participating securities, and their allocated net income were excluded from the diluted net income per share calculation for the thirteen weeks ended October 25, 2014 due to their anti-dilutive effect.

As a result of the net loss in the thirteen weeks ended October 26, 2013, all outstanding stock options and restricted Class A shares were excluded from the diluted net loss per share calculation for the thirteen weeks ended October 26, 2013 due to their anti-dilutive effect.

## 4. PENSION PLANS

The Company sponsors four defined benefit pension plans. Net periodic pension costs for the four plans includes the following components:

	13 Weeks Ended	
	October 25, 2014	October 26, 2013
Service cost	\$910	\$730
Interest cost on projected benefit obligations	764	694
Expected return on plan assets	(928	) (797
Amortization of gains and losses	324	201
Net periodic pension cost	\$1,070	\$828

As of October 25, 2014, the Company has contributed \$45 to its pension plans in fiscal 2015. The Company expects to contribute approximately \$6,000 during fiscal 2015 to fund its pension plans.

## 5. INCOME TAXES

In prior years, the state of New Jersey issued two separate tax assessments related to nexus beginning in fiscal 2000 and the deductibility of certain payments between subsidiaries beginning in fiscal 2002. Village contested both of these assessments through the state's conference and appeals process and was subsequently denied. The Company then filed two complaints in Tax Court against the New Jersey Division of Taxation contesting these assessments and a trial limited to the nexus dispute was conducted in June 2013. On October 23, 2013, the Tax Court issued their opinion on the matter in favor of the New Jersey Division of Taxation. The Company is currently in the process of appealing the court's decision. No payments with respect to these matters are required until the dispute is definitively resolved.

The Company recorded a \$10,052 charge to income tax expense in the fiscal quarter ended October 26, 2013, which includes a \$4,933 (net of federal benefit of \$2,656) increase in unrecognized tax benefits and \$5,119 (net of federal benefit of \$2,078) of related interest and penalties for tax positions taken in prior years. This charge increased our fiscal 2014 beginning of year accrued tax liability to reflect the estimated total tax, interest and penalties due if the Company is unable to overturn the Court's decision upon appeal. It is reasonably possible that this matter will be resolved within the next twelve months. A favorable resolution could result in a reduction in gross unrecognized tax benefits of up to \$29,756.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	13 Weeks Ended	
	October 25, 2014	October 26, 2013
Balance at beginning of year	\$28,993	\$17,640
Additions based on tax positions related to prior periods	—	7,589
Additions based on tax positions related to the current period	763	651
Balance at end of period	\$29,756	\$25,880

Unrecognized tax benefits at October 25, 2014 and July 26, 2014 include tax positions of \$18,472 and \$18,100 (net of federal benefit), respectively, that would reduce the Company's effective income tax rate, if recognized in future

periods.

The Company recognizes interest and penalties on income taxes in income tax expense. The Company recognized \$694 and \$8,387 related to interest and penalties on income taxes in the fiscal quarters ended October 25, 2014 and October 26, 2013, respectively. The amount of accrued interest and penalties included within income taxes payable was \$16,801 and \$16,107 at October 25, 2014 and July 26, 2014, respectively.

## 6. RELATED PARTY INFORMATION - WAKEFERN

A description of the Company's transactions with Wakefern, its principal supplier, and with other related parties is included in the Company's Annual Report on Form 10-K for the year ended July 26, 2014. There have been no significant changes in the Company's relationship or nature of transactions with related parties during the first three months of fiscal 2015 except for an additional required investment in Wakefern common stock of \$738.

At October 25, 2014, the Company had demand deposits of \$46,965 at Wakefern earning interest at overnight money market rates.

## 7. COMMITMENTS and CONTINGENCIES

Superstorm Sandy devastated our area on October 29, 2012 and resulted in the closure of almost all of our stores for periods of time ranging from a few hours to eight days. Village disposed of substantial amounts of perishable product and also incurred repair, labor and other costs as a result of the storm. The Company has property, casualty and business interruption insurance, subject to deductibles and coverage limits. During fiscal 2013, Wakefern began the process of working with our insurers to recover the damages and Village recorded estimated insurance recoveries of \$4,913. As of October 25, 2014, Village has collected \$2,643. In October 2013, Wakefern, as the policy holder, filed suit against the carrier seeking payment of the remaining claims due for all Wakefern members. The suit was the result of different interpretations of policy terms, including whether the policy's named storm deductible applied. On October 29, 2014, the Court issued their opinion on the matter in favor of the carrier. While Wakefern is continuing to pursue further recovery of uncollected amounts from the carrier and other sources, as a result of this decision and its related impact the Company has concluded that recovery of further proceeds is not probable and has recorded a \$2,270 charge in the first quarter of fiscal 2015 to write-off the remaining insurance receivable.

The Company is involved in other litigation incidental to the normal course of business. Excluding the tax litigation with the State of New Jersey as described in Note 5, Company management is of the opinion that the ultimate resolution of these legal proceedings should not have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in Thousands)

### OVERVIEW

Village Super Market, Inc. (the "Company" or "Village") operates a chain of 29 ShopRite supermarkets in New Jersey, Maryland and northeastern Pennsylvania. On November 6, 2013, Village opened a 77,000 sq. ft. store in Hanover Township, New Jersey that serves the greater Morristown area and replaced the 40,000 sq. ft. Morris Plains store. On April 30, 2014, Village opened a 59,000 sq. ft. store in Union, New Jersey and closed our existing 40,000 sq. ft. store.

Village is the second largest member of Wakefern Food Corporation ("Wakefern"), the nation's largest retailer-owned food cooperative and owner of the ShopRite name. As further described in the Company's Form 10-K, this ownership interest in Wakefern provides Village many of the economies of scale in purchasing, distribution, advanced retail technology, marketing and advertising associated with larger chains.

The Company's stores, six of which are owned, average 59,000 total square feet. These larger store sizes enable the Company's stores to provide a "one-stop" shopping experience and to feature expanded higher margin specialty departments such as an on-site bakery, an expanded delicatessen, a variety of natural and organic foods, ethnic and international foods, prepared foods and pharmacies.

The supermarket industry is highly competitive and characterized by narrow profit margins. The Company competes directly with multiple retail formats, including national, regional and local supermarket chains as well as warehouse clubs, supercenters, drug stores, discount general merchandise stores, fast food chains, restaurants, dollar stores and convenience stores. Village competes by using low pricing, superior customer service, and a broad range of consistently available quality products, including ShopRite private labeled products. The ShopRite Price Plus card also strengthens customer loyalty.

Many of our stores emphasize a Power Alley, which features high margin, fresh, convenience offerings in an area within the store that provides quick customer entry and exit for those customers shopping for today's lunch or dinner. The greater Morristown and Union stores include the Village Food Garden concept previously introduced in our remodeled Livingston store. Village Food Garden features a restaurant style kitchen, and several kiosks offering a wide variety of store prepared specialty foods for both take-home and in-store dining. Village also has on-site registered dietitians in thirteen stores that provide customers with free, private consultations on healthy meals and proper nutrition, as well as leading health related events both in store and in the community as part of the Live Right with ShopRite program. Wakefern and Village have responded to customers increased use of the internet by creating a smart phone app and shoprite.com to provide weekly advertising and other shopping information. In addition, on-line shopping is available in twelve store locations with store pick-up and delivery options servicing our current market.

We consider a variety of indicators to evaluate our performance, such as same store sales; percentage of total sales by department (mix); shrink; departmental gross profit percentage; sales per labor hour; units per labor hour; and hourly labor rates.

## RESULTS OF OPERATIONS

The following table sets forth the major components of the Consolidated Condensed Statements of Operations as a percentage of sales:

	13 Weeks Ended			
	October 25, 2014	October 26, 2013		
Sales	100.00	% 100.00		%
Cost of sales	72.93	73.76		
Gross profit	27.07	26.24		
Operating and administrative expense	23.43	23.06		
Depreciation and amortization	1.56	1.43		
Operating income	2.08	1.75		
Interest expense	(0.30	) (0.21	)	)
Interest income	0.17	0.20		
Income before taxes	1.95	1.74		
Income taxes	0.93	3.65		
Net income (loss)	1.02	% (1.91	)	)%

**Sales.** Sales were \$379,744 in the first quarter of fiscal 2015, an increase of 6.4% compared to the first quarter of the prior year. Sales increased due to the opening of the greater Morristown replacement store on November 6, 2013 and the Union replacement store on April 30, 2014. Same store sales increased 1.6% due to increased sales in both Maryland stores and increased transaction size due to inflation, partially offset by decreased units sold. The Company expects same store sales in fiscal 2015 to range from flat to an increase of 2%. New stores and replacement stores are included in same store sales in the quarter after the store has been in operation for four full quarters. Store renovations are included in same store sales immediately.

**Gross Profit.** Gross profit as a percentage of sales increased .83% in the first quarter of fiscal 2015 compared to the first quarter of the prior year primarily due to lower promotional spending (.41%), increased departmental gross margin percentages (.21%), decreased warehouse assessment charges from Wakefern (.07%) and improved product mix (.06%).

**Operating and Administrative Expense.** Operating and administrative expense as a percentage of sales increased .37% in the first quarter of fiscal 2015 compared to the first quarter of the prior year primarily due to a charge to write-off all remaining insurance receivables related to Superstorm Sandy (.60%) as described in note 7 to the unaudited consolidated condensed financial statements. In addition, the prior year included pre-opening costs for the greater Morristown replacement store, which opened in November 2013 (.10%).

**Depreciation and Amortization.** Depreciation and amortization expense increased in the first quarter of fiscal 2015 compared to the prior year due to depreciation related to fixed asset additions.

**Interest Expense.** Interest expense increased in the first quarter of fiscal 2015 compared to the corresponding periods of the prior year due to changes in the amounts of interest costs capitalized.

**Interest Income.** Interest income decreased slightly in the first quarter of fiscal 2015 compared to the prior year due to lower interest rates.



Income Taxes. The effective income tax rate was 47.5% in the first quarter of fiscal 2015 compared to 210.1% in the first quarter of the prior year. As described in Note 5 to the unaudited consolidated condensed financial statements, income taxes in the first quarter of fiscal 2014 included a \$10,052 charge related to tax positions taken in prior years as a result of the unfavorable ruling by the New Jersey Tax Court. Excluding this charge, the effective tax rate was 48.1% in the first quarter of fiscal 2014.

Net Income (Loss). Net income was \$3,879 in the first quarter of fiscal 2015 as compared to a net loss of \$6,831 in the first quarter of the prior year. The first quarter of fiscal 2015 includes a charge to write-off all remaining insurance receivables related to Superstorm Sandy of \$1,340 (net of tax), while the first quarter of fiscal 2014 includes a \$10,052 charge to income tax expense as a result of the unfavorable ruling by the New Jersey Tax Court and pre-opening costs for the replacement store in

greater Morristown of \$198 (net of tax). Excluding these items, net income increased 53% in the first quarter of fiscal 2015 compared to the prior year primarily due to the impact of the greater Morristown replacement store, the 1.6% same store sales increase and higher gross margin percentages.

#### CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results of operations. These policies require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's critical accounting policies relating to the impairment of long-lived assets and goodwill, accounting for patronage dividends earned as a stockholder of Wakefern, accounting for pension plans, and accounting for uncertain tax positions, are described in the Company's Annual Report on Form 10-K for the year ended July 26, 2014. As of October 25, 2014, there have been no changes to any of the critical accounting policies contained therein.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$51 in the first quarter of fiscal 2015 compared to net cash used in operating activities of \$2,215 in the corresponding period of the prior year. During the first quarter of fiscal 2015, Village used cash to fund capital expenditures of \$4,386 and dividends of \$3,133. Capital expenditures primarily include costs associated with remodels of existing stores.

Village expects capital expenditures of \$25,000 in fiscal 2015. Planned expenditures include three major remodels and several smaller remodels. The Company's primary sources of liquidity in fiscal 2015 are expected to be cash and cash equivalents on hand at October 25, 2014 and operating cash flow generated in fiscal 2015.

Working capital was \$21,246 at October 25, 2014 compared to \$16,782 at July 26, 2014. The working capital ratio was 1.2 to 1 at October 25, 2014 and 1.1 to 1 at July 26, 2014. The Company's working capital needs are reduced, since inventories are generally sold by the time payments to Wakefern and other suppliers are due.

There have been no substantial changes as of October 25, 2014 to the contractual obligations and commitments discussed in the Company's Annual Report on Form 10-K for the year ended July 26, 2014, except for an additional \$738 required investment in Wakefern stock and the additional unrecognized tax benefits as a result of the unfavorable ruling by the New Jersey Tax Court.

## OUTLOOK

This Form 10-Q contains certain forward-looking statements about Village's future performance. These statements are based on management's assumptions and beliefs in light of information currently available. Such statements relate to, for example: same store sales; economic conditions; uninsured losses; expected pension plan contributions; projected capital expenditures; cash flow requirements; inflation expectations; and legal matters; and are indicated by words such as "will," "expect," "should," "intend," "anticipates," "believes" and similar words or phrases. The Company cautions the reader that there is no assurance that actual results or business conditions will not differ materially from the results expressed, suggested or implied by such forward-looking statements. The Company undertakes no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof.

We expect same store sales to range from flat to an increase of 2% in fiscal 2015.

We expect modest retail price inflation in fiscal 2015.

We have budgeted \$25,000 for capital expenditures in fiscal 2015. Planned expenditures include three major remodels and several smaller remodels.

The Board's current intention is to continue to pay quarterly dividends in 2015 at the most recent rate of \$.25 per Class A and \$.1625 per Class B share.

We believe cash flow from operations and other sources of liquidity will be adequate to meet anticipated requirements for working capital, capital expenditures and debt payments for the foreseeable future.

We expect our effective income tax rate in fiscal 2015 to be 46.0% - 47.0%. Excluding interest and penalties related to unrecognized tax benefits, we expect our effective income tax rate in fiscal 2014 to be 41.5% - 42.5%.

We expect operating expenses will be affected by increased costs in certain areas, such as medical and pension costs.

Various uncertainties and other factors could cause actual results to differ from the forward-looking statements contained in this report. These include:

The supermarket business is highly competitive and characterized by narrow profit margins. Results of operations may be materially adversely impacted by competitive pricing and promotional programs, industry consolidation and competitor store openings. Village competes with national and regional supermarkets, local supermarkets, warehouse club stores, supercenters, drug stores, convenience stores, dollar stores, discount merchandisers, restaurants and other local retailers. Some of these competitors have greater financial resources, lower merchandise acquisition costs and lower operating expenses than we do.

The Company's stores are concentrated in New Jersey, with one store in northeastern Pennsylvania and two in Maryland. We are vulnerable to economic downturns in New Jersey in addition to those that may affect the country as a whole. Economic conditions such as inflation, deflation, and fluctuations in interest rates, energy costs and unemployment rates may adversely affect our sales and profits.

Village acquired two stores in July 2011 in Maryland, a new market for Village where the ShopRite name is less known than in New Jersey. Maryland stores sales, marketing costs and operating performance remain worse than our typical store as we continue to build market share and brand awareness. If these trends continue, the Company's results of operations will continue to be negatively impacted.

Village purchases substantially all of its merchandise from Wakefern. In addition, Wakefern provides the Company with support services in numerous areas including supplies, advertising, liability and property insurance, technology support and other store services. Further, Village receives patronage dividends and other product incentives from Wakefern. Any material change in Wakefern's method of operation or a termination or material modification of Village's relationship with Wakefern could have an adverse impact on the conduct of the Company's business and could involve additional expense for Village. The failure of any Wakefern member to fulfill its obligations to Wakefern or a member's insolvency or withdrawal from Wakefern could result in increased costs to the Company. Additionally, an adverse change in Wakefern's results of operations could have an adverse effect on Village's results of operations.

Approximately 91% of our employees are covered by collective bargaining agreements. Any work stoppages could have an adverse impact on our financial results. If we are unable to control health care and pension costs provided for in the collective bargaining agreements, we may experience increased operating costs.

Village could be adversely affected if consumers lose confidence in the safety and quality of the food supply chain. The real or perceived sale of contaminated food products by us could result in a loss of consumer confidence and product liability claims, which could have a material adverse effect on our sales and operations.

Certain of the multi-employer plans to which we contribute are underfunded. As a result, we expect that contributions to these plans may increase. Additionally, the benefit levels and related items will be issues in the negotiation of our collective bargaining agreements. Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur a withdrawal liability to the plan, which represents the portion of the plan's underfunding that is allocable to the withdrawing employer under very complex actuarial and allocation rules. The failure of a withdrawing employer to fund these obligations can impact remaining employers. The amount of any increase or decrease in our required contributions to these multi-employer pension plans will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plans, government regulations and the actual return on assets held in the plans, among other factors.

We provide health benefits to a large number of our employees, primarily through multi-employer health plans. Effective January 1, 2015, the Patient Protection and Affordable Care Act will impose new mandates on employers that could significantly increase the number of employees receiving benefits and our required contributions to these multi-employer health plans. We are not able at this time to determine the impact of the law, as it will depend on many factors, including finalization of rules implementing the law, the number of additional employees that we will be required to provide health benefits, the number of eligible employees that enroll for medical benefits, and negotiation of collective bargaining agreements, which could be material to our results of operations.

Our long-lived assets, primarily stores, are subject to periodic testing for impairment. Failure of our asset groups to achieve sufficient levels of cash flow could result in impairment charges on long-lived assets.

Our effective tax rate may be impacted by the results of tax examinations and changes in tax laws, including the disputes with the state of New Jersey described in note 5 of the unaudited consolidated condensed financial statements.

Wakefern provides all members of the cooperative with information system support that enables us to effectively manage our business data, customer transactions, ordering, communications and other business processes. These information systems are subject to damage or interruption from power outages, computer or telecommunications failures, computer viruses and related malicious software, catastrophic weather events, or human error. Any material interruption of our or Wakefern's information systems could have a material adverse impact on our results of operations.

Due to the nature of our business, personal information about our customers, vendors and associates is received and stored in these information systems. In addition, confidential information is transmitted through our ShopRite from Home online business at [shoprite.com](http://shoprite.com) and through the ShopRite app. Unauthorized parties may attempt to access information stored in or to sabotage or disrupt these systems. Wakefern and the Company maintain substantial security measures to prevent and detect unauthorized access to such information, including utilizing third-party service providers for monitoring our networks, security reviews, and other functions. It is possible that computer hackers, cyber terrorists and others may be able to defeat the security measures in place at Wakefern or those of third-party service providers.

Any breach of these security measures and loss of confidential information, which could be undetected for a period of time, could damage our reputation with customers, vendors and associates, cause Wakefern and Village to incur significant costs to protect any customers, vendors and associates whose personal data was compromised, make changes to our information systems and could result in government enforcement actions and litigation against Wakefern and/or Village from outside parties. Any such breach could have a material adverse impact on our operations, consolidated financial

condition, results of operations, and liquidity if the related costs to Wakefern and Village are not covered or are in excess of carried insurance policies. In addition, a security breach could require Wakefern and Village to devote significant management resources to address problems created by the security breach and restore our reputation.

#### RELATED PARTY TRANSACTIONS

See note 6 to the unaudited consolidated condensed financial statements for information on related party transactions.

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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At October 25, 2014, the Company had demand deposits of \$46,965 at Wakefern earning interest at overnight money market rates, which are exposed to the impact of interest rate changes.

At October 25, 2014, the Company had \$41,008 in notes receivable due from Wakefern. Half of these notes earn interest at the prime rate plus .25% and mature on August 15, 2017 and half earn interest at the prime rate plus 1.25% and mature on February 15, 2019. Wakefern has the right to prepay these notes at any time. Under certain conditions, the Company can require Wakefern to prepay the notes, although interest earned since inception would be reduced as if it was earned based on overnight money market rates as paid by Wakefern on demand deposits.

### ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Exchange Act, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures at the end of the period. This evaluation was carried out under the supervision, and with the participation, of the Company's management, including the Company's Chief Executive Officer along with the Company's Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer, along with the Company's Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the quarter ended October 25, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits

Exhibit 31.1 Certification

Exhibit 31.2 Certification

Exhibit 32.1 Certification (furnished, not filed)

Exhibit 32.2 Certification (furnished, not filed)

Exhibit 99.1 Press Release dated December 3, 2014

101 INS XBRL Instance

101 SCH XBRL Schema

101 CAL XBRL Calculation

101 DEF XBRL Definition

101 LAB XBRL Label

101 PRE XBRL Presentation

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SIGNATURES

Pursuant to the requirements 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.

Village Super Market, Inc.  
Registrant

Dated: December 3, 2014 /s/ James Sumas  
James Sumas  
(Chief Executive Officer)

Dated: December 3, 2014 /s/ Kevin R. Begley  
Kevin R. Begley  
(Chief Financial Officer)