

VILLAGE SUPER MARKET INC  
Form 10-Q  
December 05, 2012

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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 27, 2012

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  
(State or other jurisdiction of incorporation or  
organization)

22-1576170  
(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  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  No

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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  S  
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 5, 2012

Class A Common Stock, No Par Value	8,684,974 Shares
Class B Common Stock, No Par Value	5,079,881 Shares

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 27, 2012	July 28, 2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 101,999	\$ 103,103
Merchandise inventories	38,374	40,599
Patronage dividend receivable	14,746	10,774
Other current assets	19,697	17,102
Total current assets	174,816	171,578
Note receivable from Wakefern	21,287	20,918
Property, equipment and fixtures, net	173,411	172,420
Investment in Wakefern	24,355	23,406
Goodwill	12,057	12,057
Other assets	10,625	9,159
	\$ 416,551	\$ 409,538
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Current portion of capital and financing lease obligations	\$ -	\$ -
Current portion of notes payable to Wakefern	1,439	473
Accounts payable to Wakefern	54,716	55,441
Accounts payable and accrued expenses	24,840	28,858
Income taxes payable	20,922	15,134
Total current liabilities	101,917	99,906
Capital and financing lease obligations	40,849	40,792
Notes payable to Wakefern	2,221	2,357
Other liabilities	37,081	36,172
<b>Commitments and contingencies</b>		
<b>Shareholder's Equity</b>		
Class A common stock - no par value, issued 9,083 shares at October 27, 2012 and 7,883 shares at July 28, 2012	40,688	39,570
Class B common stock - no par value, issued and outstanding 5,135 shares at October 27, 2012 and 6,335 shares at July 28, 2012	834	1,028
Retained earnings	212,238	209,373

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Accumulated other comprehensive loss	(15,160 )	(15,474 )
Less cost of Class A treasury shares (454 at October 27, 2012 and 461 at July 28, 2012)	(4,117 )	(4,186 )
Total shareholders' equity	234,483	230,311
	\$ 416,551	\$ 409,538

See accompanying Notes to Consolidated Condensed Financial Statements

VILLAGE SUPER MARKET, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(in Thousands except Per Share Amounts) (Unaudited)

	13 Weeks Ended October 27, 2012	13 Weeks Ended October 29, 2011
Sales	\$ 358,151	\$ 342,737
Cost of sales	262,514	249,861
Gross profit	95,637	92,876
Operating and administrative expense	80,256	75,901
Depreciation and amortization	4,909	4,773
Operating income	10,472	12,202
Interest expense	(1,074 )	(1,184 )
Interest income	682	625
Income before income taxes	10,080	11,643
Income taxes	4,225	4,907
Net income	\$ 5,855	\$ 6,736
Net income per share:		
Class A common stock:		
Basic	\$ 0.52	\$ 0.59
Diluted	\$ 0.42	\$ 0.49
Class B common stock:		
Basic	\$ 0.30	\$ 0.38
Diluted	\$ 0.30	\$ 0.38

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
(in Thousands) (Unaudited)

Net income	\$5,855	\$6,736
Other comprehensive income:		

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Amortization of pension actuarial loss, net of tax of \$217 and \$133 for the 13 weeks ended October 27, 2012 and October 29, 2011, respectively	314	199
Comprehensive income	\$6,169	\$6,935

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 27, 2012	13 Weeks Ended October 29, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 5,855	\$ 6,736
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,909	4,773
Deferred taxes	(1,665 )	(960 )
Provision to value inventories at LIFO	150	360
Non-cash share-based compensation	808	797
Changes in assets and liabilities:		
Merchandise inventories	2,075	(1,670 )
Patronage dividend receivable	(3,972 )	(3,362 )
Accounts payable to Wakefern	(725 )	(2,227 )
Accounts payable and accrued expenses	(3,997 )	(601 )
Income taxes payable	5,788	3,265
Other assets and liabilities	(1,203 )	(1,322 )
Net cash provided by operating activities	8,023	5,789
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(5,792 )	(6,257 )
Investment in notes receivable from Wakefern	(369 )	(344 )
Net cash used in investing activities	(6,161 )	(6,601 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options	131	11
Excess tax benefit related to share-based compensation	52	5
Principal payments of long-term debt	(159 )	(100 )
Dividends	(2,990 )	(1,145 )
Net cash used in financing activities	(2,966 )	(1,229 )
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,104 )</b>	<b>(2,041 )</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>103,103</b>	<b>91,362</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 101,999</b>	<b>\$ 89,321</b>



**SUPPLEMENTAL DISCLOSURES OF CASH**

**PAYMENTS MADE FOR:**

Interest	\$ 995	\$ 1,184
Income taxes	\$ 50	\$ 2,597

**NONCASH SUPPLEMENTAL DISCLOSURES:**

Investment in Wakefern	\$ 949	\$ 269
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See accompanying Notes to Consolidated Condensed Financial Statements.

VILLAGE SUPER MARKET, INC.  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(in Thousands) (Unaudited)

1. 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 27, 2012 and the consolidated results of operations, comprehensive income and cash flows for the thirteen week periods ended October 27, 2012 and October 29, 2011 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 28, 2012 Village Super Market, Inc. Annual Report on Form 10-K, which should be read in conjunction with these financial statements.

2. The results of operations for the period ended October 27, 2012 are not necessarily indicative of the results to be expected for the full year.

3. At both October 27, 2012 and July 28, 2012, 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 \$14,992 and \$14,842 higher than reported at October 27, 2012 and July 28, 2012, respectively.

4. The Company computes net income per share using the two-class method, 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, our Class A common stock is assumed to receive a 54% greater participation in undistributed earnings than our Class B common stock, in accordance with the classes respective dividend rights.

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 shares of Class A common stock on a share-for-share basis, as this method is more dilutive than the two-class method. Diluted net income 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 per share for all periods presented.

	13 Weeks Ended October 27, 2012	
	Class A	Class B
<b>Numerator:</b>		
Net income allocated, basic	\$ 3,932	\$ 1,776
Conversion of Class B to Class A shares	1,776	-
Effect of share-based compensation on allocated net income	11	(11 )
Net income allocated, diluted	\$ 5,719	\$ 1,765

<b>Denominator:</b>		
Weighted average shares outstanding, basic	7,549	5,913
Conversion of Class B to Class A shares	5,913	-
Dilutive effect of share-based compensation	129	-
Weighted average shares outstanding, diluted	13,591	5,913

	13 Weeks Ended October 29, 2011	
	Class A	Class B
<b>Numerator:</b>		
Net income allocated, basic	\$ 4,128	\$ 2,435
Conversion of Class B to Class A shares	2,435	-
Effect of share-based compensation on allocated net income	24	(10 )
Net income allocated, diluted	\$ 6,587	\$ 2,425

<b>Denominator:</b>		
Weighted average shares outstanding, basic	7,017	6,373
Conversion of Class B to Class A shares	6,373	-
Dilutive effect of share-based compensation	59	-
Weighted average shares outstanding, diluted	13,449	6,373

Outstanding stock options to purchase Class A shares of 418 were excluded from the calculation of diluted net income per share at October 29, 2011 as a result of their anti-dilutive effect. In addition, 299 and 293 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 at October 27, 2012 and October 29, 2011, respectively, due to their anti-dilutive effect.



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

	13 Weeks Ended October 27, 2012	13 Weeks Ended October 29, 2011
Service cost	\$ 818	\$ 664
Interest cost on projected benefit obligations	618	678
Expected return on plan assets	(694 )	(631 )
Amortization of gains and losses	529	330
Amortization of prior service costs	2	2
<b>Net periodic pension cost</b>	<b>\$ 1,273</b>	<b>\$ 1,043</b>

As of October 27, 2012, the Company has contributed \$71 to its pension plans in fiscal 2013. The Company expects to contribute an additional \$2,929 during the remainder of fiscal 2013 to fund its pension plans.

6. Hurricane Sandy devastated our area on October 29, 2012, two days after the end of our first fiscal quarter. The storm increased sales in the last week of our first quarter of fiscal 2013 as customers prepared for the storm. However, almost all our stores were closed for periods of time ranging from a few hours to eight days beginning in the first week of our second fiscal quarter. In most of our trading areas our customers were similarly affected by a loss of power. In addition, Village disposed of substantial amounts of perishable product due to the loss of power, and also incurred repair, labor and other costs in connection with the storm. The Company has property, casualty and business interruption coverage, subject to deductibles. Village has begun the process of working with our insurers to quantify the damages, a process that will likely take several months. The Company does not expect the overall impact of the storm, including uninsured losses, to be material to fiscal 2013 results of operations.

7. On November 29, 2012, the Board of Directors declared a special dividend of \$1.00 per Class A common share and \$.65 per Class B common share. In addition the Board declared regular quarterly dividends of \$.25 per Class A common share and \$.1625 per Class B common share. These dividends will be payable on December 27, 2012 to shareholders of record at the close of business on December 12, 2012. The Board declared these \$15 million of dividends at this time in order to provide a return to our shareholders in 2012 while tax rates on dividends remain low. The Board's current intention is to continue to pay quarterly dividends in 2013 at the most recent rate of \$.25 per Class A and \$.1625 per Class B share.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

(Dollars in Thousands)

OVERVIEW

The Company operates a chain of 29 ShopRite supermarkets in New Jersey, Maryland and northeastern Pennsylvania. 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 the Company many of the economies of scale in purchasing, distribution, advanced retail technology, marketing and advertising associated with larger chains. On January 29, 2012, Village acquired the store fixtures, lease and other assets of the ShopRite in Old Bridge, New Jersey (40,000 sq. ft) for \$3,250 plus inventory and other working capital for \$1,116. On July 7, 2011, Village acquired the store fixtures, leases and pharmacy lists of locations in Silver Spring, Maryland (64,000 sq.ft.) and Timonium, Maryland (57,000 sq.ft.) for \$6,595 from Super Fresh.

The Company's stores, five of which are owned, average 57,000 total square feet. Larger store sizes enable the Company to offer the specialty departments that customers desire for one-stop shopping, including pharmacies, natural and organic departments, ethnic and international foods, and home meal replacement.

Hurricane Sandy devastated our area on October 29, 2012, two days after the end of our first fiscal quarter. The storm increased sales in the last week of our first quarter of fiscal 2013 as customers prepared for the storm. Sales in the second quarter of fiscal 2013 will be negatively impacted by the closure of almost all of our stores for periods of time ranging from a few hours to eight days. However, this impact will be partially offset by improved sales in several stores that reopened quickly and by higher sales in most stores in subsequent weeks as customers restocked after power returned. In addition, Village disposed of substantial amounts of perishable product due to the loss of power, and also incurred repair, labor and other costs in connection with the storm. The Company has property, casualty and business interruption coverage, subject to deductibles. Village has begun the process of working with our insurers to quantify the damages, a process that will likely take several months. The Company does not expect the overall impact of the storm, including uninsured losses, to be material to fiscal 2013 results of operations.

The supermarket industry is highly competitive. 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.

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; and hourly labor rates.

During fiscal 2012 and the first quarter of fiscal 2013, the supermarket industry was impacted by changing consumer behavior due to the weak economy and high unemployment. Consumers are increasingly cooking meals at home, but spending cautiously by trading down to lower priced items, including private label, and concentrating their buying on sale items. Also, the Company estimates that product prices overall experienced substantial inflation in the first half of fiscal 2012, with only modest inflation in the second half of fiscal 2012 and the first quarter of fiscal 2013.

## 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 27, 2012	October 29, 2011
Sales	100.00 %	100.00 %
Cost of sales	73.30	72.90
Gross profit	26.70	27.10
Operating and administrative expense	22.41	22.15
Depreciation and amortization	1.37	1.39
Operating income	2.92	3.56
Interest expense	(0.30 )	(0.34 )
Interest income	0.19	0.18
Income before taxes	2.81	3.40
Income taxes	1.18	1.43
Net income	1.63 %	1.97 %

Sales. Sales were \$358,151 in the first quarter of fiscal 2013, an increase of 4.5% compared to the first quarter of the prior year. Sales increased due to the acquisition of a store in Old Bridge, NJ on January 29, 2012 and a same store sales increase of 2.6%. Same store sales increased due to very high sales in the last week of the quarter as customers prepared for hurricane Sandy and higher sales in the two stores in Maryland, which opened on July 28, 2011 and are now included in same store sales. Sales continue to be impacted by economic weakness, high gas prices and high unemployment, which has resulted in increased sale item penetration and trading down. The Company expects same store sales in fiscal 2013 to increase from 1.5% to 3.5%. 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 decreased .40% in the first quarter of fiscal 2013 compared to the first quarter of the prior year due to decreased departmental gross margin percentages (.46%) and increased warehouse assessment charges from Wakefern (.10%). These decreases were partially offset by higher patronage dividends (.12%) and lower LIFO charges (.06%).

**Operating and Administrative Expense.** Operating and administrative expense as a percentage of sales increased .26% in the first quarter of fiscal 2013 compared to the first quarter of the prior year due to higher payroll (.21%) and fringe benefit costs (.30%). Benefit costs increased due to higher medical and pension expense. In addition, the first quarter of fiscal 2013 included a charge from the settlement of a dispute with a landlord (.18%) and income from settlement of the national credit card lawsuit (.33%).

**Depreciation and Amortization.** Depreciation and amortization expense increased in the first quarter of fiscal 2013 compared to the first quarter of the prior year due to depreciation related to fixed asset additions.

**Interest Expense.** Interest expense decreased in the first quarter of fiscal 2013 compared to the first quarter of the prior year due to prior year including interest incurred on a pension withdrawal liability that was paid in fiscal 2012.

**Interest Income.** Interest income increased slightly in the first quarter of fiscal 2013 compared to the first quarter of the prior year due to higher amounts invested.

**Income Taxes.** The effective income tax rate was 41.9% in the first quarter of fiscal 2013 compared to 42.1% the first quarter of the prior year.

**Net Income.** Net income was \$5,855 in the first quarter of fiscal 2013, a decrease of 13% from the first quarter of the prior year. Net income decreased due to lower gross profit percentages and higher operating expenses as a percentage of sales. Partially offsetting these decreases in net income were substantially greater sales in the last week of the quarter due to hurricane Sandy and reduced losses in the two Maryland stores compared to the first quarter of the prior year, which was the initial quarter of operations. The Maryland stores sales remain lower than expected as we continue to build market share and brand awareness.

## 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, accounting for share-based compensation, and accounting for uncertain tax positions, are described in the Company's Annual Report on Form 10-K for the year ended July 28, 2012. As of October 27, 2012, 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 \$8,023 in the first quarter of fiscal 2013 compared to \$5,789 in the corresponding period of the prior year. This increase is primarily attributable to a decline in merchandise inventories in the current fiscal year compared to an increase in inventories in the prior fiscal year. During the first quarter of fiscal 2013, Village used cash to fund capital expenditures of \$5,792 and dividends of \$2,990. Capital expenditures include substantial remodels of two stores.

Village has budgeted approximately \$20,000 for capital expenditures in fiscal 2013. Planned expenditures include the beginning of construction of two replacement stores and three major remodels. The Company's primary sources of liquidity in fiscal 2013 are expected to be cash and cash equivalents on hand at October 27, 2012 and operating cash flow generated in fiscal 2013.

Working capital was \$72,899 at October 27, 2012 compared to \$71,672 at July 28, 2012. The working capital ratio was 1.7 to 1 at both October 27, 2012 and July 28, 2012. The Company's working capital needs are reduced, since inventories are generally sold by the time payments to Wakefern and other suppliers are due.

On November 29, 2012, the Board of Directors declared a special dividend of \$1.00 per Class A common share and \$.65 per Class B common share. In addition the Board declared regular quarterly dividends of \$.25 per Class A common share and \$.1625 per Class B common share. These dividends will be payable on December 27, 2012 to shareholders of record at the close of business on December 12, 2012. The Board declared these \$15 million of dividends at this time in order to provide a return to our shareholders in 2012 while tax rates on dividends remain low. The Board's current intention is to continue to pay quarterly dividends in 2013 at the most recent rate of \$.25 per Class A and \$.1625 per Class B share.

There have been no substantial changes as of October 27, 2012 to the contractual obligations and commitments discussed in the Company's Annual Report on Form 10-K for the year ended July 28, 2012, except for an additional \$949 required investment in Wakefern stock.

## 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: 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 increase from 1.5% to 3.5% in fiscal 2013, including the positive impact from the inclusion of the Maryland stores in same stores sales.
- Hurricane Sandy devastated our area on October 29, 2012, two days after the end of our first fiscal quarter. Sales in the second quarter of fiscal 2013 will be negatively impacted by the closure of almost all of our stores for periods of time ranging from a few hours to eight days. However, this impact will be partially offset by improved sales in several stores that reopened quickly and by higher sales in most stores in subsequent weeks as customers restocked after power returned. In addition, Village disposed of substantial amounts of perishable product due to the loss of power, and also incurred repair, labor and other costs in connection with the storm. The Company has property, casualty and business interruption coverage, subject to deductibles. Village has begun the process of working with our insurers to quantify the damages, a process that will likely take several months. The Company does not expect the overall impact of the storm, including uninsured losses, to be material to fiscal 2013 results of operations.

- During fiscal 2012 and the first quarter of fiscal 2013, the supermarket industry was impacted by changing consumer behavior due to the weak economy and high unemployment. Consumers are increasingly cooking meals at home, but spending cautiously by trading down to lower priced items, including private label, and concentrating their buying on sale items. Management expects these trends to continue in fiscal 2013.
  - We expect modest retail price inflation in fiscal 2013.
- We have budgeted \$20,000 for capital expenditures in fiscal 2013. This amount includes the beginning of construction of two replacement stores and three major remodels.
- On November 29, 2012, the Board of Directors declared a special dividend of \$1.00 per Class A common share and \$.65 per Class B common share. In addition the Board declared regular quarterly dividends of \$.25 per Class A common share and \$.1625 per Class B common share. These dividends will be payable on December 27, 2012 to shareholders of record at the close of business on December 12, 2012. The Board declared these \$15 million of dividends at this time in order to provide a return to our shareholders in 2012 while tax rates on dividends remain low. The Board's current intention is to continue to pay quarterly dividends in 2013 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 2013 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, 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. As the Company begins operating in this new market, marketing and other costs will be higher than in established markets as Village attempts to build market share and brand awareness. In addition, sales for these two stores are initially expected to be lower than the typical Company store. Potentially higher costs and sales results lower than the Company's expectations could have a material adverse effect on Village's results of operations.
- 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 93% 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.
- On April 15, 2011, Village, along with all of the other individual employers trading as ShopRite, permanently withdrew from participating in the United Food and Commercial Workers Local 152 Retail Meat Pension Fund ("the Fund"), effective the end of April 2011. The Fund is a multi-employer defined benefit plan that includes other supermarket operators. Village, along with the other affiliated ShopRite operators, determined to withdraw from the Fund due to exposures to market risks associated with all defined benefit plans and the inability to partition ShopRite's liabilities from those of the other participating supermarket operators. Village now provides affected associates with a defined contribution plan for future service, which eliminates market risks and the exposure to shared liabilities of other operators, and is estimated to be less costly than the defined benefit plan in the future, while ensuring that our associates are provided a secure benefit. The Company recorded a pre-tax charge of \$7,028 in fiscal 2011 for this withdrawal liability, which represented our estimate of the liability based on calculations provided by the Fund actuary. The Company settled this obligation in January 2012, resulting in a pre-tax benefit of \$646 in fiscal 2012. Village remains liable for potential additional withdrawal liabilities to the Fund in the event a mass withdrawal, as defined by statute, occurs within two plan years after the plan year of Village's withdrawal. Such liabilities could be material to the Company's consolidated financial statements.

- 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.
- 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 Company's Annual Report on Form 10-K for the year ended July 28, 2012.

#### RELATED PARTY TRANSACTIONS

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 28, 2012. There have been no significant changes in the Company's relationship or nature of transactions with related parties during the first quarter of fiscal 2013 except for an additional required investment in Wakefern common stock of \$949.

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

At October 27, 2012, the Company had demand deposits of \$77,749 at Wakefern earning interest at overnight money market rates, which are exposed to the impact of interest rate changes.

At October 27, 2012, the Company had a \$21,287 15-month note receivable due from Wakefern earning a fixed rate of 7%. This note is automatically extended for additional, recurring 90-day periods, unless, not later than one year prior to the due date, the Company notifies Wakefern requesting payment on the due date. This note currently is scheduled to mature on November 20, 2013.

**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 controls and other procedures that 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 significant changes in internal controls over financial reporting during the first quarter of fiscal 2013.

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 5, 2012

101 INS XBRL Instance  
101  
SCH XBRL Schema  
101  
CAL XBRL Calculation  
101 DEF XBRL Definition  
101 LAB XBRL Label  
101 PRE XBRL Presentation

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

Date: December 5, 2012

/s/ James Sumas  
James Sumas  
(Chief Executive Officer)

Date: December 5, 2012

/s/ Kevin R. Begley  
Kevin R. Begley  
(Chief Financial Officer)



