VILLAGE SUPER MARKET INC
Form 10-Q
March 04, 2015

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended: January 24, 2015

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 q Accelerated filer x

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes _____ No __X__
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

	March 4, 2015
Class A Common Stock, No Par Value	9,696,583 Shares
Class B Common Stock, No Par Value	4,360,998 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)

	January 24, 2015	July 26, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$94,762	$77,352
Merchandise inventories	46,248	44,694
Patronage dividend receivable	5,207	12,923
Deferred tax assets	13,167	12,077
Other current assets	16,135	15,740
Total current assets	175,519	162,786
Property, equipment and fixtures, net	205,126	206,720
Notes receivable from Wakefern	41,421	40,598
Investment in Wakefern	25,750	25,012
Goodwill	12,057	12,057
Other assets	7,939	10,239
Total assets	$467,812	$457,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Capital and financing lease obligations	$448	$231
Notes payable to Wakefern	456	667
Accounts payable to Wakefern	65,221	66,004
Accounts payable and accrued expenses	18,351	15,859
Accrued wages and benefits	16,995	18,856
Income taxes payable	48,091	44,387
Total current liabilities	149,562	146,004
Long-term Debt		
Capital and financing lease obligations	43,939	44,168
Notes payable to Wakefern	942	1,074
Total long-term debt	44,881	45,242
Pension liabilities	25,277	23,876
Other liabilities	8,755	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 January 24, 2015 and 10,147 shares at July 26, 2014	48,648	47,056
	708	708

Class B common stock, no par value: Authorized 20,000 shares; issued 4,361 shares at January 24, 2015 and July 26, 2014		
Retained earnings	207,937	203,722
Accumulated other comprehensive loss	(12,082)	(12,465)
Less treasury stock, Class A, at cost: 453 shares at January 24, 2015 and 454 shares at July 26, 2014	(5,874)	(5,885)
Total shareholders' equity	239,337	233,136
Total liabilities and shareholders' equity	$467,812	$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		26 Weeks Ended	
	January 24, 2015	January 25, 2014	January 24, 2015	January 25, 2014
Sales	$411,191	$392,241	$790,935	$749,287
Cost of sales	300,065	286,883	577,006	550,223
Gross profit	111,126	105,358	213,929	199,064
Operating and administrative expense	92,471	94,085	181,459	176,437
Depreciation and amortization	5,994	5,416	11,897	10,521
Operating income	12,661	5,857	20,573	12,106
Interest expense	(1,138)	(1,016)	(2,272)	(1,756)
Interest income	611	653	1,226	1,349
Income before income taxes	12,134	5,494	19,527	11,699
Income taxes	5,531	2,676	9,046	15,711
Net income (loss)	$6,603	$2,818	$10,481	$(4,012)
Net income (loss) per share:				
Class A common stock:				
Basic	$0.53	$0.23	$0.84	$(0.32)
Diluted	$0.47	$0.20	$0.74	$(0.32)
Class B common stock:				
Basic	$0.34	$0.15	$0.54	$(0.21)
Diluted	$0.34	$0.15	$0.54	$(0.21)

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		26 Weeks Ended	
	January 24, 2015	January 25, 2014	January 24, 2015	January 25, 2014
Net income (loss)	$6,603	$2,818	$10,481	$(4,012)
Other comprehensive income:				
Amortization of pension actuarial loss, net of tax (1)	192	118	383	237
Comprehensive income (loss)	$6,795	$2,936	$10,864	$(3,775)

(1) Amounts are net of tax of $132 and $83 for the 13 weeks ended January 24, 2015 and January 25, 2014, respectively, and $265 and $165 for the 26 weeks ended January 24, 2015 and January 25, 2014, 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)

	26 Weeks Ended	
	January 24, 2015	January 25, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$10,481	$(4,012)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	11,897	10,521
Non-cash share-based compensation	1,583	1,613
Deferred taxes	(310)	(5,941)
Provision to value inventories at LIFO	200	150
Changes in assets and liabilities:		
Merchandise inventories	(1,754)	(3,583)
Patronage dividend receivable	7,716	6,501
Accounts payable to Wakefern	(783)	4,073
Accounts payable and accrued expenses	2,053	1,190
Accrued wages and benefits	(1,861)	(999)
Income taxes payable	4,851	19,556
Other assets and liabilities	1,547	2,019
Net cash provided by operating activities	35,620	31,088
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(9,923)	(29,238)
Investment in notes receivable from Wakefern	(823)	(798)
Net cash used in investing activities	(10,746)	(30,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	13	217
Excess tax benefit related to share-based compensation	7	46
Principal payments of long-term debt	(1,218)	(979)
Dividends	(6,266)	(6,164)
Net cash used in financing activities	(7,464)	(6,880)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,410	(5,828)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	77,352	109,571
CASH AND CASH EQUIVALENTS, END OF PERIOD	$94,762	$103,743
SUPPLEMENTAL DISCLOSURES OF CASH PAYMENTS MADE FOR:		
Interest	$2,189	$2,119
Income taxes	$4,498	$2,050

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 January 24, 2015 and the consolidated statements of operations, comprehensive income (loss) and cash flows for the thirteen and twenty-six week periods ended January 24, 2015 and January 25, 2014 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 January 24, 2015 are not necessarily indicative of the results to be expected for the full year.

2. MERCHANDISE INVENTORIES

At both January 24, 2015 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 $14,770 and $14,570 higher than reported at January 24, 2015 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 January 24, 2015		26 Weeks Ended January 24, 2015	
	Class A	Class B	Class A	Class B
Numerator:				
Net income allocated, basic	$4,957	$1,492	$7,870	$2,370
Conversion of Class B to Class A shares	1,492	—	2,370	—
Effect of share-based compensation on allocated net income	9	(2)	11	(2)
Net income allocated, diluted	$6,458	$1,490	$10,251	$2,368
Denominator:				
Weighted average shares outstanding, basic	9,409	4,361	9,409	4,361
Conversion of Class B to Class A shares	4,361	—	4,361	—
Dilutive effect of share-based compensation	25	—	22	—
Weighted average shares outstanding, diluted	13,795	4,361	13,792	4,361

	13 Weeks Ended January 25, 2014		26 Weeks Ended January 25, 2014	
	Class A	Class B	Class A	Class B
Numerator:				
Net income (loss) allocated, basic	$2,102	$648	$(2,979)	$(937)
Conversion of Class B to Class A shares	648	—	—	—
Effect of share-based compensation on allocated net income (loss)	(1)	—	—	—
Net income (loss) allocated, diluted	$2,749	$648	$(2,979)	$(937)
Denominator:				
Weighted average shares outstanding, basic	9,198	4,361	9,167	4,387
Conversion of Class B to Class A shares	4,361	—	—	—
Dilutive effect of share-based compensation	85	—	—	—
Weighted average shares outstanding, diluted	13,644	4,361	9,167	4,387

Outstanding stock options to purchase Class A shares of 447 and 5 were excluded from the calculation of diluted net income per share as of January 24, 2015 and January 25, 2014, respectively, as a result of their anti-dilutive effect. In addition, 290 and 299 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 as of January 24, 2015 and January 25, 2014, respectively, due to their anti-dilutive effect.

As a result of the net loss in the twenty-six weeks ended January 25, 2014, all outstanding stock options and restricted Class A shares were excluded from the diluted net loss per share calculation for the twenty-six weeks ended January 25, 2014 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		26 Weeks Ended	
	January 24, 2015	January 25, 2014	January 24, 2015	January 25, 2014
Service cost	$910	$730	$1,820	$1,460
Interest cost on projected benefit obligations	764	694	1,528	1,388
Expected return on plan assets	(928)	(797)	(1,856)	(1,594)
Amortization of gains and losses	324	201	648	402
Net periodic pension cost	$1,070	$828	$2,140	$1,656

As of January 24, 2015, the Company has contributed $90 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 (the "Division") 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 Division. As a result, the Company recorded a $10,052 charge to income tax expense in the fiscal quarter ended October 26, 2013, which included 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 was unable to overturn the Court's decision upon appeal.

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

	26 Weeks Ended	
	January 24, 2015	January 25, 2014
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	1,919	1,019
Balance at end of period	$30,912	$26,248

The Company recognizes interest and penalties on income taxes in income tax expense. The Company recognized $1,405 and $8,973 related to interest and penalties on income taxes in the twenty-six weeks ended January 24, 2015 and January 25, 2014, respectively. The amount of accrued interest and penalties included within income taxes payable was $17,512 and $16,107 at January 24, 2015 and July 26, 2014, respectively.

On February 27, 2015, the Company reached an agreement with the Division whereby the Company will pay approximately $33,000 in March 2015 to settle the disputes over nexus and the deductibility of certain payments between subsidiaries with the Division for fiscal years 2000 through 2014. The final settlement amount is subject to adjustment upon filing additional tax returns in New Jersey. Net of federal benefit, the total expected cash outflow as a result of the settlement will be in the range of $21,000 to $22,000. Under the terms of the agreement, the Company will withdraw its appeal of the Tax Court opinion on the nexus dispute. In addition, the case pending on the deductibility of certain payments between subsidiaries will be dismissed and the Division will withdraw the related assessments. The Company will reverse all remaining unrecognized tax benefits and related interest and penalties in excess of the settlement, resulting in an estimated income tax benefit in the range of $7,000 to $8,000 during the fiscal quarter ending April 25, 2015.

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 six months of fiscal 2015 except for an additional required investment in Wakefern common stock of $738.

At January 24, 2015, the Company had demand deposits of $69,309 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 January 24, 2015, 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 concluded that recovery of further proceeds is not probable and 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 dieticians 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		26 Weeks Ended	
	January 24, 2015	January 25, 2014	January 24, 2015	January 25, 2014
Sales	100.00 %	100.00 %	100.00 %	100.00 %
Cost of sales	72.97	73.14	72.95	73.43
Gross profit	27.03	26.86	27.05	26.57
Operating and administrative expense	22.49	23.99	22.94	23.55
Depreciation and amortization	1.45	1.38	1.51	1.40
Operating income	3.09	1.49	2.60	1.62
Interest expense	(0.28)	(0.26)	(0.29)	(0.24)
Interest income	0.15	0.17	0.16	0.18
Income before taxes	2.96	1.40	2.47	1.56
Income taxes	1.35	0.68	1.14	2.10
Net income (loss)	1.61 %	0.72 %	1.33 %	(0.54)%

Sales. Sales were $411,191 in the second quarter of fiscal 2015, an increase of 4.8% compared to the second quarter of the prior year. Sales increased due to the opening of the Union replacement store on April 30, 2014 and improved sales in the greater Morristown replacement store, which opened on November 6, 2013. Same store sales increased 2.2% due to increased transaction size due to inflation, partially offset by decreased units sold. The Company expects same store sales in fiscal 2015 to range from a 1.5% to 2.5% increase. 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.
Sales were $790,935 in the six-month period of fiscal 2015, an increase of 5.6% from 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 1.9% due to increased transaction size due to inflation, partially offset by decreased units sold.

Gross Profit. Gross profit as a percentage of sales increased .17% in the second quarter of fiscal 2015 compared to the second quarter of the prior year primarily due to lower promotional spending (.14%), increased departmental gross margin percentages (.10%), decreased warehouse assessment charges from Wakefern (.09%) and improved product mix (.04%). These increases were partially offset by lower patronage dividends (.20%). Gross profit was favorably impacted by receipt of patronage dividends from Wakefern greater than estimated amounts accrued in both the second quarter of fiscal 2015 (.19%) and fiscal 2014 (.35%).
Gross profit as a percentage of sales increased .48% in the six-month period of fiscal 2015 compared to the corresponding period of the prior year primarily due to lower promotional spending (.27%), increased departmental gross margin percentages (.15%), decreased warehouse assessment charges from Wakefern (.08%) and improved product mix (.05%). These increases were partially offset by lower patronage dividends (.08%).

Operating and Administrative Expense. Operating and administrative expense as a percentage of sales decreased 1.50% in the second quarter of fiscal 2015 compared to the second quarter of the prior year primarily due to lower payroll (.27%), snow removal costs (.10%), and legal and consulting fees (.18%). In addition, the prior year included a charge for future lease obligations resulting from the closure of the Morris Plains store (.89%) and pre-opening costs for the greater Morristown and Union replacement stores (.21%). These decreases were partially offset by increased

healthcare costs (.11%) and non-union pension expense (.05%).
Operating and administrative expense as a percentage of sales decreased .61% in the six-month period of fiscal 2015 compared to the corresponding period of the prior year primarily due lower payroll (.14%) and decreased legal and consulting fees (.12%). In addition, the prior year included a charge for future lease obligations resulting from the closure of the Morris Plains store (.46%) and pre-opening costs for the greater Morristown and Union replacement stores (.16%). These decreases were partially offset by a charge to write-off all remaining insurance receivables related to Superstorm Sandy (.29%).

Depreciation and Amortization. Depreciation and amortization expense increased in the second quarter and six-month period of fiscal 2015 compared to the prior year due to depreciation related to fixed asset additions.

Interest Expense. Interest expense increased in the second quarter and six-month period 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 second quarter and six-month period of fiscal 2015 compared to the prior year due to lower interest rates.

Income Taxes. The effective income tax rate was 45.6% in the second quarter of fiscal 2015 compared to 48.7% in the second quarter of the prior year. The decrease in the effective income tax rate was primarily due to the reduced impact of accrued interest and penalties related to the New Jersey tax dispute as a result of higher pre-tax income in the second quarter of fiscal 2015.
The effective income tax rate was 46.3% in the six-month period of fiscal 2015 compared to 134.3% in the six-month period 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 income tax rate was 48.4% in the six-month period of fiscal 2014. The decrease in the effective income tax rate was primarily due to the reduced impact of accrued interest and penalties related to the New Jersey tax dispute as a result of higher pre-tax income in the six-month period of fiscal 2015.

Net Income (Loss). Net income was $6,603 in the second quarter of fiscal 2015 compared to $2,818 in the second quarter of the prior year. The second quarter of fiscal 2014 includes a $2,012 (net of tax) charge for future lease obligations due to the closure of the Morris Plains store and pre-opening costs for the replacement stores in greater Morristown and Union of $489 (net of tax). Excluding these two items, net income increased 24% in the second quarter of fiscal 2015 compared to the prior year due primarily to the impact of the greater Morristown and Union replacement stores and the 2.2% same store sales increase.
Net income was $10,481 in the six-month period of fiscal 2015 compared to a net loss of $4,012 in the six-month period of the prior year. Fiscal 2015 includes a charge to write-off all remaining insurance receivables related to Superstorm Sandy of $1,340 (net of tax), while fiscal 2014 includes a $10,052 charge to income tax expense as a result of the unfavorable ruling by the New Jersey Tax Court, a $2,012 (net of tax) charge for future lease obligations due to the closure of the Morris Plains store and pre-opening costs for the replacement stores in greater Morristown and Union of $687 (net of tax). Excluding these items, net income increased 35% in the six-month period of fiscal 2015 compared to the prior year primarily due to the impact of the greater Morristown and Union replacement stores, the 1.9% 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 January 24, 2015, 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 $35,620 in the six-month period of fiscal 2015 compared to $31,088 in the corresponding period of the prior year. During the first six months of fiscal 2015, Village used cash to fund capital expenditures of $9,923 and dividends of $6,266. 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 January 24, 2015 and operating cash flow generated in fiscal 2015.

Working capital was $25,957 at January 24, 2015 compared to $16,782 at July 26, 2014. The working capital ratio was 1.2 to 1 at January 24, 2015 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 January 24, 2015 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 the $33,000 tax settlement with the New Jersey Division of Taxation as described in Note 5 to the unaudited consolidated condensed financial statements.

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 th 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 a 1.5% to 2.5% increase 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.

Excluding the estimated income tax benefit to be recorded in the third quarter of fiscal 2015 resulting from the settlement with the New Jersey Division of Taxation and interest and penalties on unrecognized tax benefits accrued prior to settlement, we expect our effective income tax rate in fiscal 2015 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.

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. As described in Note 5 to the unaudited consolidated condensed financial statements, the settlement with the New Jersey Division of Taxation will result in an estimated income tax benefit in in the range of $7,000 to $8,000 during the fiscal quarter ending April 25, 2015.

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 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At January 24, 2015, the Company had demand deposits of $69,309 at Wakefern earning interest at overnight money market rates, which are exposed to the impact of interest rate changes.

At January 24, 2015, the Company had $41,421 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 January 24, 2015 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 March 4, 2015
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
Dated: March 4, 2015	/s/ James Sumas James Sumas (Chief Executive Officer)
Dated: March 4, 2015	/s/ John Van Orden John Van Orden (Chief Financial Officer)