

VILLAGE SUPER MARKET INC  
Form 10-Q  
December 03, 2008

---

---

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, 2008

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  
(Address of principal executive offices)

07081  
(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 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.

Edgar Filing: VILLAGE SUPER MARKET INC - Form 10-Q

Large accelerated filer  
Non-accelerated filer (Do not check if a smaller reporting company) Accelerated filer S  
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 2, 2008

Class A Common Stock, No Par Value 3,441,082 Shares  
Class B Common Stock, No Par Value 3,188,152 Shares

---

VILLAGE SUPER MARKET, INC.

INDEX

|   | PAGE<br>NO. |
|---|-------------|
| PART I  |             |
| FINANCIAL INFORMATION   |             |
| Item 1. Financial Statements (Unaudited)  |             |
| Consolidated Condensed Balance Sheets   | 3           |
| Consolidated Condensed Statements of Operations   | 4           |
| Consolidated Condensed Statements of Cash Flows   | 5           |
| Notes to Consolidated Condensed Financial Statements  | 6-9         |
|   |             |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 9-14        |
| Item 3. Quantitative & Qualitative Disclosures about Market Risk                              | 14          |
| Item 4. Controls and Procedures   | 15          |
|   |             |
| PART II   |             |
| OTHER INFORMATION   |             |
| Item 6. Exhibits  | 16          |
| Signatures  | 16          |

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

VILLAGE SUPER MARKET, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(in Thousands) (Unaudited)

|   | October 25,<br>2008 | July 26,<br>2008 |
|---|---------------------|------------------|
| <b>ASSETS</b>   |                     |                  |
| Current assets  |                     |                  |
| Cash and cash equivalents   | \$ 41,961           | \$ 47,889        |
| Merchandise inventories   | 34,272              | 33,073           |
| Patronage dividend receivable   | 9,395               | 6,878            |
| Other current assets  | 10,350              | 9,863            |
| Total current assets  | 95,978              | 97,703           |
| Notes receivable from Wakefern  | 31,545              | 31,121           |
| Property, equipment and fixtures, net   | 147,421             | 141,752          |
| Investment in Wakefern  | 18,841              | 18,291           |
| Goodwill  | 10,605              | 10,605           |
| Other assets  | 4,552               | 4,573            |
|   | \$ 308,942          | \$ 304,045       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                     |                  |
| Current liabilities   |                     |                  |
| Current portion of long-term debt   | \$ 4,738            | \$ 4,801         |
| Current portion of notes payable to Wakefern  | 751                 | 198              |
| Accounts payable to Wakefern  | 47,090              | 52,345           |
| Accounts payable and accrued expenses   | 25,119              | 25,165           |
| Income taxes payable  | 11,053              | 6,323            |
| Total current liabilities   | 88,751              | 88,832           |
| Long-term debt  | 25,795              | 26,160           |
| Notes payable to Wakefern   | 1,289               | 1,338            |
| Other liabilities   | 16,798              | 16,684           |
| Commitments and contingencies   |                     |                  |
| Shareholders' equity  |                     |                  |
| Class A common stock - no par value, issued 3,761 shares                                | 26,102              | 25,458           |
| Class B common stock - no par value 3,188 shares issued and outstanding                 | 1,035               | 1,035            |
| Retained earnings   | 156,992             | 152,445          |
| Accumulated other comprehensive loss  | (3,990)             | (4,071)          |
| Less cost of Class A treasury shares (320 at October 25, 2008 and 321 at July 26, 2008) | (3,830)             | (3,836)          |
| Total shareholders' equity  | 176,309             | 171,031          |

\$ 308,942 \$ 304,045

See accompanying Notes to Consolidated Condensed Financial Statements.

3

---

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

|                                      | 13 Weeks Ended<br>October 25,<br>2008 | 13 Weeks Ended<br>October 27,<br>2007 |
|--------------------------------------|---------------------------------------|---------------------------------------|
| Sales                                | \$ 290,984                            | \$ 263,559                            |
| Cost of sales                        | 211,513                               | 193,344                               |
| Gross profit                         | 79,471                                | 70,215                                |
| Operating and administrative expense | 64,772                                | 59,920                                |
| Depreciation and amortization        | 3,617                                 | 3,189                                 |
| Operating income                     | 11,082                                | 7,106                                 |
| Interest expense                     | (726)                                 | (607)                                 |
| Interest income                      | 568                                   | 988                                   |
| Income before income taxes           | 10,924                                | 7,487                                 |
| Income taxes                         | 4,557                                 | 3,189                                 |
| Net income                           | \$ 6,367                              | \$ 4,298                              |
| Net income per share:                |                                       |                                       |
| Class A common stock:                |                                       |                                       |
| Basic                                | \$ 1.18                               | \$ 81                                 |
| Diluted                              | \$ .97                                | \$ .65                                |
| Class B common stock:                |                                       |                                       |
| Basic                                | \$ .77                                | \$ .53                                |
| Diluted                              | \$ .76                                | \$ .52                                |

See accompanying Notes to Consolidated Condensed Financial Statements.

VILLAGE SUPER MARKET, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(in Thousands) (Unaudited)

|   | 13 Wks.<br>Ended<br>Oct. 25, 2008 | 13<br>Wks. Ended<br>Oct. 27, 2007 |
|---|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                                   |                                   |
| Net income  | \$ 6,367                          | \$ 4,298                          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                   |                                   |
| Depreciation and amortization   | 3,617                             | 3,189                             |
| Deferred taxes  | ( 240)                            | ( 129)                            |
| Provision to value inventories at LIFO  | 300                               | 200                               |
| Non-cash share-based compensation   | 634                               | 290                               |
| Changes in assets and liabilities:  |                                   |                                   |
| Merchandise inventories   | (1,499)                           | (3,224)                           |
| Patronage dividend receivable   | (2,517)                           | (2,367)                           |
| Accounts payable to Wakefern  | (5,255)                           | 1,299                             |
| Accounts payable and accrued expenses   | (46)                              | 1,115                             |
| Income taxes payable  | 4,730                             | 2,597                             |
| Other assets and liabilities  | ( 31)                             | (1,029)                           |
| Net cash provided by operating activities   | 6,060                             | 6,239                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                                   |                                   |
| Investment in notes receivable from Wakefern                                      | (424)                             | (513)                             |
| Capital expenditures  | (5,286)                           | ( 13,117)                         |
| Acquisition of Galloway store assets  | -----                             | ( 3,500)                          |
| Net cash used in investing activities   | (5,710)                           | ( 17,130)                         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                                   |                                   |
| Proceeds from exercise of stock options   | 10                                | 20                                |
| Tax benefit related to share-based compensation                                   | 6                                 | 80                                |
| Principal payments of long-term debt and notes payable                            | (4,474)                           | (4,767)                           |
| Dividends   | (1,820)                           | (1,351)                           |
| Net cash used in financing activities   | (6,278)                           | (6,018)                           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                  | <b>(5,928)</b>                    | <b>(16,909)</b>                   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                             | <b>47,889</b>                     | <b>53,846</b>                     |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                                   | <b>\$ 41,961</b>                  | <b>\$ 36,937</b>                  |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH PAYMENTS MADE FOR:</b>                        |                                   |                                   |
| Interest  | \$ 933                            | \$ 922                            |
| Income taxes  | \$ 89                             | \$ 245                            |
| <b>NONCASH SUPPLEMENTAL DISCLOSURES:</b>  |                                   |                                   |
| Investment in Wakefern  | \$ 550                            | \$ 1,200                          |
| Financing lease obligation  | \$ 4,000                          | \$ -----                          |

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 25, 2008 and the consolidated results of operations and cash flows for the thirteen week periods ended October 25, 2008 and October 27, 2007.

The significant accounting policies followed by Village Super Market, Inc. (“Village” or the “Company”) are set forth in Note 1 to the Company's consolidated financial statements in the July 26, 2008 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 25, 2008 are not necessarily indicative of the results to be expected for the full year.

3. At both October 25, 2008 and July 26, 2008, approximately 67% 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 \$13,583 and \$13,283 higher than reported at October 25, 2008 and July 26, 2008, 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<br>October 25, 2008 |          |
|--|------------------------------------|----------|
|  | Class A                            | Class B  |
| Numerator:   |                                    |          |
| Net income allocated, basic                                | \$ 3,918                           | \$ 2,449 |
| Conversion of Class B to Class A shares                    | 2,449                              | -----    |
| Effect of share-based compensation on allocated net income | ----                               | (27)     |
| Net income allocated, diluted                              | \$ 6,367                           | \$ 2,422 |

|  | 13 Weeks Ended<br>October 25, 2008 |         |
|--|------------------------------------|---------|
|  | Class A                            | Class B |
| Denominator:                                 |                                    |         |
| Weighted average shares outstanding, basic   | 3,315                              | 3,188   |
| Conversion of Class B to Class A shares      | 3,188                              | ----    |
| Dilutive effect of share-based compensation  | 85                                 | -----   |
| Weighted average shares outstanding, diluted | 6,588                              | 3,188   |

|  | 13 Weeks Ended<br>October 27, 2007 |          |
|--|------------------------------------|----------|
|  | Class A                            | Class B  |
| Numerator:   |                                    |          |
| Net income allocated, basic                                | \$ 2,615                           | \$ 1,683 |
| Conversion of Class B to Class A shares                    | 1,683                              | -----    |
| Effect of share-based compensation on allocated net income | ----                               | ( 35)    |
| Net income allocated, diluted                              | \$ 4,298                           | \$ 1,648 |

|  | 13 Weeks Ended<br>October 27, 2007 |         |
|--|------------------------------------|---------|
|  | Class A                            | Class B |
| Denominator:                                 |                                    |         |
| Weighted average shares outstanding, basic   | 3,221                              | 3,188   |
| Conversion of Class B to Class A shares      | 3,188                              | -----   |
| Dilutive effect of share-based compensation  | 164                                | -----   |
| Weighted average shares outstanding, diluted | 6,573                              | 3,188   |

Class A shares of 104 and 14 issuable under share-based compensation plans were excluded from the calculation of diluted net income per share at October 25, 2008 and October 27, 2007, respectively, as a result of their anti-dilutive effect.

5. Comprehensive income was \$6,448 and \$4,393 for the quarters ended October 25, 2008 and October 27, 2007, respectively. Comprehensive income consists of net income and amortization of net losses on benefit plans, net of income taxes.

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

|  | 13 Weeks<br>Ended<br>October 25,<br>2008 | 13 Weeks<br>Ended<br>October 27,<br>2007 |
|--|--|--|
| Service cost                                   | \$ 603                                   | \$ 557                                   |
| Interest cost on projected benefit obligations | 520                                      | 456                                      |
| Expected return on plan assets                 | ( 434)                                   | ( 368)                                   |
| Amortization of gains and losses               | 133                                      | 154                                      |
| Amortization of prior service costs            | 2  | 4  |
| <b>Net periodic pension cost</b>               | <b>\$ 824</b>                            | <b>\$ 803</b>                            |

As of October 25, 2008, the Company has contributed \$24 to its pension plans in fiscal 2009. The Company expects to contribute an additional \$2,976 during the remainder of fiscal 2009 to fund its pension plans.

7. In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, “Fair Value Measurements”, (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. The provisions of SFAS 157 were effective beginning in fiscal 2009. However, the FASB deferred the effective date of SFAS 157 until the beginning of the Company’s 2010 fiscal year as it relates to fair value measurement requirements for non-financial assets and liabilities that are not remeasured at fair value on a recurring basis. This includes fair value calculated in impairment assessments of goodwill and other long-lived assets. The Company adopted the provisions of SFAS 157 as of July 27, 2008 for financial assets and liabilities and its adoption did not have a material impact on the consolidated financial position or results of operations. Management is currently evaluating the effect that adoption of SFAS 157 for its non-financial assets and liabilities will have on the Company’s consolidated financial position and results of operations.

As of October 25, 2008, the Company’s financial assets and liabilities required to be measured at fair value consisted of one interest rate swap agreement with an immaterial fair value based on level 2 inputs. The level 2 inputs used are observable, either directly or indirectly, such as interest rates and yield curves at commonly quoted intervals.

In February 2007, the FASB issued SFAS No. 159 (“SFAS 159”), “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115”. This statement provides companies with an option to measure, at specified election dates, many financial instruments and certain other items at fair value that are not currently measured at fair value. The provisions of SFAS 159 were effective beginning in fiscal 2009 and the Company has chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with accounting principles generally accepted in the United States.

8. Under EITF Issue No. 97-10, "The Effect of Lessee Involvement in Asset Construction," Village is considered the owner of the Marmora land and building during the construction period as Village has an unlimited obligation to cover building construction costs over a certain amount. Therefore, \$4,000 of land, site costs and construction costs paid by the landlord to date are recorded as property and long-term debt at October 25, 2008.

ITEM 2.

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

---

(Dollars in Thousands)

OVERVIEW

The Company operates a chain of 25 ShopRite supermarkets in New Jersey and northeastern Pennsylvania. Village is the second largest member of Wakefern Food Corporation ("Wakefern"), the nation's largest retailer-owned food cooperative. 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 and advertising associated with larger chains.

The Company's stores, five of which are owned, average 56,000 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.

We consider a variety of indicators to evaluate our performance, such as same store sales; sales per store; percentage of total sales by department (mix); shrink; departmental gross profit percentage; sales per labor hour; and hourly labor rates. In recent years, Village, as well as many of our competitors, has experienced increases in rates for electricity and gas, and in employee health and pension costs. These trends are expected to continue in fiscal 2009.

## 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 |          |
|--------------------------------------|----------------|----------|
|                                      | 10/25/08       | 10/27/07 |
| Sales                                | 100.00%        | 100.00%  |
| Cost of sales                        | 72.69          | 73.36    |
| Gross profit                         | 27.31          | 26.64    |
| Operating and administrative expense | 22.26          | 22.73    |
| Depreciation and amortization        | 1.24           | 1.21     |
| Operating income                     | 3.81           | 2.70     |
| Interest expense                     | (.25)          | (.23)    |
| Interest income                      | .20            | .37      |
| Income before taxes                  | 3.76           | 2.84     |
| Income taxes                         | 1.57           | 1.21     |
| Net income                           | 2.19%          | 1.63%    |

**Sales.** Sales were \$290,984 in the first quarter of fiscal 2009, an increase of 10.4% compared to the first quarter of the prior year. Sales increased primarily due to the opening of the new stores in Galloway, New Jersey on October 3, 2007 and Franklin, New Jersey on November 7, 2007. Same store sales increased 4.2%. Improved transaction count and average transaction size, and food inflation all contributed to the increase in same store sales. These improvements were partially offset by reduced sales in two stores due to cannibalization from the opening of the Galloway and Franklin stores. 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 .67% in the first quarter of fiscal 2009 compared to the first quarter of the prior year due to improved departmental gross margin percentages (.36%), lower promotional spending (.22%) and improved product mix (.16%). Promotional spending declined due to less of the estimated cost of this year's Thanksgiving loyalty program being allocated to the first quarter of fiscal 2009 than the prior year allocation due to changes in the program timing. As a result, the second quarter of fiscal 2009 will include a larger allocation of the Thanksgiving loyalty program than the prior year.

**Operating and Administrative Expense.** Operating and administrative expense decreased .47% as a percentage of sales in the first quarter of fiscal 2009 compared to the first quarter of the prior year primarily due to reduced payroll costs in fiscal 2009 (.47%) and the prior year including store pre-opening costs (.14%), partially offset by increased utility costs (.10%). Payroll costs as a percentage of sales improved due to operating leverage resulting from the 4.2% same store sales increase and reduced labor due to store technology improvements.

**Depreciation and Amortization.** Depreciation and amortization expense increased in the first quarter of fiscal 2009 compared to the first quarter of the prior year due to depreciation related to fixed asset additions for the two new stores.

**Interest Expense.** Interest expense increased in the first quarter of fiscal 2009 compared to the first quarter of the prior year due to interest on the Franklin store financing lease, partially offset by lower interest expense due to debt payments.

**Interest Income.** Interest income decreased in the first quarter of fiscal 2009 compared to the first quarter of the prior year primarily due to lower amounts of excess cash invested at Wakefern and lower interest rates received. This is in part due to the special dividend paid in April 2008.

**Income Taxes.** The effective income tax rate was 41.7% in the first quarter of fiscal 2009 compared to 42.6% in the first quarter of the prior year. The effective income tax rate for all of fiscal 2008 was 41.9%.

## 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 26, 2008. As of October 25, 2008, 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 \$6,060 in the first quarter of fiscal 2009 compared with \$6,239 in the corresponding period of the prior year. Improved net income and a smaller increase in inventories in fiscal 2009 were offset by a reduction in payables in the current fiscal year compared to an increase in payables in the prior year.

During the first quarter of fiscal 2009, Village used cash to fund capital expenditures of \$5,286, debt payments of \$4,474 and dividends of \$1,820. Capital expenditures consisted primarily of construction for a replacement store in Washington, New Jersey and a new store in Marmora, New Jersey and several small remodels. Debt payments include the sixth installment of \$4,286 on Village's unsecured Senior Notes.

Working capital was \$7,227 at October 25, 2008 compared to \$8,871 at July 26, 2008. The working capital ratio was 1.1 to 1 at both October 25, 2008 and July 26, 2008. Working capital remained the same as the timing of payments resulted in a reduction in accounts payable and cash at October 25, 2008 compared to July 26, 2008. The Company's working capital needs are reduced, since inventories are generally sold by the time payments to Wakefern and other suppliers are due.

Village has budgeted approximately \$30 million for capital expenditures in fiscal 2009. Planned expenditures include the ongoing construction and equipment for the replacement store in Washington, New Jersey and the new store in Marmora, New Jersey. Both stores are expected to open in the spring of 2009. Construction of the Washington replacement store had been delayed as the approvals obtained were contested by a third party. We believe certain conditions in the lease for the current store in Washington were triggered extending the lease term to at least January 31, 2009, which is before the expected completion of the replacement store. The Company is currently negotiating to further extend the lease term to eliminate the possibility of a period of time between the closing of the current Washington store and the opening of the replacement store. The Company's primary sources of liquidity in fiscal 2009 are expected to be cash and cash equivalents on hand and operating cash flow generated in fiscal 2009.

Under EITF Issue No. 97-10, "The Effect of Lessee Involvement in Asset Construction," Village is considered the owner of the Marmora land and building during the construction period as Village has an unlimited obligation to cover building construction costs over a certain amount. Therefore, \$4,000 of land, site costs and construction costs paid by the landlord to date are recorded as property and long-term debt at October 25, 2008.

There have been no substantial changes as of October 25, 2008 to the contractual obligations and commitments discussed on page 8 of the Company's Annual Report on Form 10-K for the year ended July 26, 2008, except for an additional \$550 required investment in Wakefern stock.

#### RELATED PARTY TRANSACTIONS

A description of the Company's transactions with Wakefern, its principal supplier, and with other related parties is included on pages 9, 18 and 21 of the Company's Annual Report on Form 10-K for the year ended July 26, 2008. There have been no significant changes in the Company's relationship or nature of transactions with related parties during the first quarter of fiscal 2009 except for an additional required investment in Wakefern common stock of \$550 described previously herein.



## FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Form 10-Q are or may be considered forward-looking statements within the meaning of federal securities law. The Company cautions the reader that there is no assurance that actual results or business conditions will not differ materially from future results, whether 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. The following are among the principal factors that could cause actual results to differ from the forward-looking statements: local economic conditions; competitive pressures from the Company's operating environment; the ability of the Company to maintain and improve its sales and margins; the ability to attract and retain qualified associates; the availability of new store locations; the availability of capital; the liquidity of the Company; the success of operating initiatives; consumer spending patterns; the impact of higher energy prices; increased cost of goods sold, including increased costs from the Company's principal supplier, Wakefern; the results of litigation; the results of tax examinations; the results of union contract negotiations; competitive store openings; the rate of return on pension assets; and other factors detailed herein and in other filings of the Company.

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

The Company is exposed to market risks arising from adverse changes in interest rates. As of October 25, 2008 the Company's only variable rate borrowings relate to an interest rate swap agreement. On October 18, 2001, the Company entered into an interest rate swap agreement with a major financial institution pursuant to which the Company pays a variable rate of six-month LIBOR plus 3.36% (6.89% at October 25, 2008) on an initial notional amount of \$10,000 expiring in September 2009 in exchange for a fixed rate of 8.12%. The swap agreement notional amount decreases in amounts and on dates corresponding to the fixed rate obligation it hedges. At October 25, 2008, the remaining notional amount of the swap agreement was \$1,429. A 1% increase in interest rates, applied to the Company's borrowings at October 25, 2008 would result in an annual increase in interest expense and a corresponding reduction in cash flow of approximately \$14. The fair value of the Company's fixed rate debt approximates carrying value at October 25, 2008.

At October 25, 2008, the Company had demand deposits of \$26,737 at Wakefern earning interest at overnight money market rates, which are exposed to the impact of interest rate changes. At October 25, 2008 the Company had \$31,545 of fifteen-month notes receivable due from Wakefern. Approximately half of these notes earn a fixed rate of interest of 7% and approximately half earn prime less 1.25%.

#### 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 2009.

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, 2008

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 3, 2008

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

Date: December 3, 2008

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