VILLAGE SUPER MARKET INC
Form 10-Q
June 03, 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: April 25, 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:

	June 3, 2015
Class A Common Stock, No Par Value	9,807,083 Shares
Class B Common Stock, No Par Value	4,360,998 Shares

VILLAGE SUPER MARKET, INC.

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
VILLAGE SUPER MARKET, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands) (Unaudited)

	April 25, 2015	July 26, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$58,579	$77,352
Merchandise inventories	45,552	44,694
Patronage dividend receivable	9,029	12,923
Deferred tax assets	—	12,077
Income taxes receivable	7,658	—
Other current assets	12,259	15,740
Total current assets	133,077	162,786
Property, equipment and fixtures, net	206,945	206,720
Notes receivable from Wakefern	41,421	40,598
Investment in Wakefern	25,750	25,012
Goodwill	12,057	12,057
Other assets	8,162	10,239
Total assets	$427,412	$457,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Capital and financing lease obligations	$458	$231
Notes payable to Wakefern	436	667
Accounts payable to Wakefern	57,431	66,004
Accounts payable and accrued expenses	19,198	15,859
Accrued wages and benefits	17,621	18,856
Income taxes payable	—	44,387
Total current liabilities	95,144	146,004
Long-term Debt		
Capital and financing lease obligations	43,820	44,168
Notes payable to Wakefern	831	1,074
Total long-term debt	44,651	45,242
Pension liabilities	26,023	23,876
Other liabilities	8,565	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 April 25, 2015 and 10,147 shares at July 26, 2014	50,657	47,056

Class B common stock, no par value: Authorized 20,000 shares; issued 4,361 shares at April 25, 2015 and July 26, 2014	708	708
Retained earnings	217,998	203,722
Accumulated other comprehensive loss	(11,891)	(12,465)
Less treasury stock, Class A, at cost: 343 shares at April 25, 2015 and 454 shares at July 26, 2014	(4,443)	(5,885)
Total shareholders’ equity	253,029	233,136
Total liabilities and shareholders’ equity	$427,412	$457,412

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		39 Weeks Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
Sales	$387,100	$372,511	$1,178,035	$1,121,798
Cost of sales	280,002	272,074	857,008	822,297
Gross profit	107,098	100,437	321,027	299,501
Operating and administrative expense	90,848	88,524	272,307	264,960
Depreciation and amortization	5,676	5,516	17,573	16,038
Operating income	10,574	6,397	31,147	18,503
Interest expense	(1,133)	(916)	(3,404)	(2,673)
Interest income	603	659	1,829	2,008
Income before income taxes	10,044	6,140	29,572	17,838
Income taxes	(3,162)	2,952	5,884	18,663
Net income (loss)	$13,206	$3,188	$23,688	$(825)
Net income (loss) per share:				
Class A common stock:				
Basic	$1.05	$0.26	$1.89	$(0.06)
Diluted	$0.93	$0.23	$1.68	$(0.06)
Class B common stock:				
Basic	$0.68	$0.17	$1.23	$(0.05)
Diluted	$0.68	$0.17	$1.22	$(0.05)

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		39 Weeks Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
Net income (loss)	$13,206	$3,188	$23,688	$(825)
Other comprehensive income:				
Amortization of pension actuarial loss, net of tax (1)	192	119	574	356
Comprehensive income (loss)	$13,398	$3,307	$24,262	$(469)

(1) Amounts are net of tax of $132 and $82 for the 13 weeks ended April 25, 2015 and April 26, 2014, respectively, and $398 and $247 for the 39 weeks ended April 25, 2015 and April 26, 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)

	39 Weeks Ended	
	April 25, 2015	April 26, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$23,688	$(825)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	17,573	16,038
Non-cash share-based compensation	2,377	2,442
Deferred taxes	15,741	(6,969)
Provision to value inventories at LIFO	300	250
Changes in assets and liabilities:		
Merchandise inventories	(1,158)	(3,614)
Patronage dividend receivable	3,894	2,677
Accounts payable to Wakefern	(8,573)	(16)
Accounts payable and accrued expenses	630	1,218
Accrued wages and benefits	(1,235)	(42)
Income taxes payable/receivable	(52,045)	19,967
Other assets and liabilities	6,332	4,719
Net cash provided by operating activities	7,524	35,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(17,264)	(41,435)
Investment in notes receivable from Wakefern	(823)	(41,196)
Maturity of notes receivable from Wakefern	—	23,420
Net cash used in investing activities	(18,087)	(59,211)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	2,392	217
Excess tax benefit related to share-based compensation	274	46
Principal payments of long-term debt	(1,464)	(1,204)
Dividends	(9,412)	(9,301)
Treasury stock purchases	—	(2,569)
Net cash used in financing activities	(8,210)	(12,811)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,773)	(36,177)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	77,352	109,571
CASH AND CASH EQUIVALENTS, END OF PERIOD	$58,579	$73,394
SUPPLEMENTAL DISCLOSURES OF CASH PAYMENTS MADE FOR:		
Interest	$3,322	$3,189
Income taxes	$41,913	$5,620

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 April 25, 2015 and the consolidated statements of operations, comprehensive income (loss) and cash flows for the thirteen and thirty-nine week periods ended April 25, 2015 and April 26, 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 April 25, 2015 are not necessarily indicative of the results to be expected for the full year.

2. MERCHANDISE INVENTORIES

At both April 25, 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 $14,870 and $14,570 higher than reported at April 25, 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 April 25, 2015		39 Weeks Ended April 25, 2015	
	Class A	Class B	Class A	Class B
Numerator:				
Net income allocated, basic	$9,936	$2,976	$17,806	$5,346
Conversion of Class B to Class A shares	2,976	—	5,346	—
Effect of share-based compensation on allocated net income	26	(19)	37	(21)
Net income allocated, diluted	$12,938	$2,957	$23,189	$5,325
Denominator:				
Weighted average shares outstanding, basic	9,449	4,361	9,423	4,361
Conversion of Class B to Class A shares	4,361	—	4,361	—
Dilutive effect of share-based compensation	107	—	50	—
Weighted average shares outstanding, diluted	13,917	4,361	13,834	4,361

	13 Weeks Ended April 26, 2014		39 Weeks Ended April 26, 2014	
	Class A	Class B	Class A	Class B
Numerator:				
Net income (loss) allocated, basic	$2,395	$720	$(595)	$(205)
Conversion of Class B to Class A shares	720	—	—	—
Effect of share-based compensation on allocated net income (loss)	—	—	—	—
Net income (loss) allocated, diluted	$3,115	$720	$(595)	$(205)
Denominator:				
Weighted average shares outstanding, basic	9,288	4,361	9,207	4,378
Conversion of Class B to Class A shares	4,361	—	—	—
Dilutive effect of share-based compensation	30	—	—	—
Weighted average shares outstanding, diluted	13,679	4,361	9,207	4,378

Outstanding stock options to purchase Class A shares of 233 and 443 were excluded from the calculation of diluted net income per share as of April 25, 2015 and April 26, 2014, respectively, as a result of their anti-dilutive effect. In addition, 271 and 288 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 April 25, 2015 and April 26, 2014, respectively, due to their anti-dilutive effect.

As a result of the net loss in the thirty-nine weeks ended April 26, 2014, all outstanding stock options and restricted Class A shares were excluded from the diluted net loss per share calculation for the thirty-nine weeks ended April 26, 2014 due to their anti-dilutive effect.

4. PENSION PLANS

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

	13 Weeks Ended		39 Weeks Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
Service cost	$910	$730	$2,730	$2,190
Interest cost on projected benefit obligations	764	694	2,292	2,082
Expected return on plan assets	(928)	(797)	(2,784)	(2,391)
Amortization of gains and losses	324	201	972	603
Net periodic pension cost	$1,070	$828	$3,210	$2,484

As of April 25, 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, net of federal benefit, to income tax expense in the fiscal quarter ended October 26, 2013, to increase unrecognized tax benefits and 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.

On February 27, 2015, the Company reached an agreement with the Division whereby the Company paid $33,000 in March 2015 to settle the disputes with the Division over nexus and the deductibility of certain payments between subsidiaries for fiscal years 2000 through 2014. Net of federal benefit, the total cash outflow as a result of the settlement is expected to be $21,000. Under the terms of the agreement, the Company withdrew its appeal of the Tax Court opinion on the nexus dispute. In addition, the case pending on the deductibility of certain payments between subsidiaries has been dismissed and the Division has withdrawn the related assessments. The Company recorded an income tax benefit of $7,293, net of federal taxes, in the fiscal quarter ending April 25, 2015 to reverse remaining unrecognized tax benefits and related interest and penalties in excess of the settlement.

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

	39 Weeks Ended	
	April 25, 2015	April 26, 2014
Balance at beginning of year	$28,993	$17,640
Reclassification to offset net operating loss carryforward (1)	(1,147)	—
Additions based on tax positions related to prior periods	—	7,589
Additions based on tax positions related to the current period	46	1,019
Reductions based on tax positions related to prior periods	(546)	—
Cash paid on settlements	(26,862)	—
Balance at end of period	$484	$26,248

(1) In accordance with Accounting Standards Update 2013-11, unrecognized tax benefits of $1,147 were reclassified from income taxes payable to offset related net operating loss carryforward deferred tax assets at the beginning of fiscal 2015.

The Company recognizes interest and penalties on income taxes in income tax expense. The Company recognized a benefit of $9,811 ($6,396 net of federal and state taxes) and expense of $9,653 ($6,283 net of federal and state benefits) related to interest and penalties on income taxes in the thirty-nine weeks ended April 25, 2015 and April 26, 2014, respectively. The amount of accrued interest and penalties included within income taxes payable was $158 and $16,107 at April 25, 2015 and July 26, 2014, respectively.

6. RELATED PARTY INFORMATION - WAKEFERN

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

At April 25, 2015, the Company had demand deposits of $33,926 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 April 25, 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. 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. The remodel and expansion of the Stirling, New Jersey store to 68,000 sq. ft. is expected to be completed in the summer of 2015.

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. Four of our stores include the Village Food Garden concept that 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 fifteen 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		39 Weeks Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
Sales	100.00 %	100.00 %	100.00 %	100.00 %
Cost of sales	72.33	73.04	72.75	73.30
Gross profit	27.67	26.96	27.25	26.70
Operating and administrative expense	23.47	23.76	23.12	23.62
Depreciation and amortization	1.48	1.48	1.49	1.43
Operating income	2.72	1.72	2.64	1.65
Interest expense	(0.29)	(0.25)	(0.29)	(0.24)
Interest income	0.16	0.18	0.16	0.18
Income before taxes	2.59	1.65	2.51	1.59
Income taxes	(0.82)	0.79	0.50	1.66
Net income (loss)	3.41 %	0.86 %	2.01 %	(0.07)%

Sales. Sales were $387,100 in the third quarter of fiscal 2015, an increase of 3.9% compared to the third quarter of the prior year. Sales increased due to the opening of the Union replacement store on April 30, 2014 and a same store sales increase of 2.2%. Same store sales increased 2.2% due to improved sales in the greater Morristown replacement store, higher average transaction size and increased customer counts. 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 $1,178,035 in the nine-month period of fiscal 2015, an increase of 5.0% from the nine-month period of the prior year. Sales increased due to the opening of the greater Morristown replacement store on November 6, 2013 and the Union replacement store on April 30, 2014. Same store sales increased 2.0% due to higher average transaction size and increased customer counts.

Gross Profit. Gross profit as a percentage of sales increased .71% in the third quarter of fiscal 2015 compared to the third quarter of the prior year primarily due to lower promotional spending (.40%), increased departmental gross margin percentages (.28%) and decreased warehouse assessment charges from Wakefern (.08%). These increases were partially offset by lower patronage dividends (.05%).

Gross profit as a percentage of sales increased .55% in the nine-month period of fiscal 2015 compared to the nine-month period of the prior year primarily due to lower promotional spending (.31%), increased departmental gross margin percentages (.19%) and decreased warehouse assessment charges from Wakefern (.08%). These increases were partially offset by lower patronage dividends (.07%).

Operating and Administrative Expense. Operating and administrative expense as a percentage of sales decreased .29% in the third quarter of fiscal 2015 compared to the third quarter of the prior year primarily due to lower repair costs (.09%), payroll(.08%) and advertising spending (.08%). In addition, the prior year included pre-opening costs for the Union replacement store (.15%). These decreases were partially offset by increased workers compensation costs (.14%).

Operating and administrative expense as a percentage of sales decreased .50% in the nine-month period of fiscal 2015 compared to the nine-month period of the prior year primarily due lower payroll (.13%) and decreased legal and consulting fees (.10%). In addition, the prior year included a charge for future lease obligations resulting from the closure of the Morris Plains store (.31%) 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 (.19%).

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

Interest Expense. Interest expense increased in the third quarter and nine-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 in the third quarter and nine-month period of fiscal 2015 compared to the corresponding periods of the prior year due to less amounts invested and lower interest rates, respectively.

Income Taxes. The effective income tax rate was (31.5%) in the third quarter of fiscal 2015 compared to 48.1% in the third quarter of the prior year. Income taxes in the third quarter of fiscal 2015 includes a tax benefit of $7,293 as a result of the settlement with the New Jersey Division of Taxation. Income taxes in the third quarter of the prior year included $440 of accrued interest and penalties related to the New Jersey tax dispute. Excluding these items, the effective income tax rate was 41.1% in the third quarter of fiscal 2015 as compared to 40.9% in the third quarter of the prior year.

The effective income tax rate was 19.9% in the nine-month period of fiscal 2015 compared to 104.6% in the nine-month period of the prior year. Income taxes in the nine-month period of fiscal 2015 includes a tax benefit of $6,452 related to the settlement with the New Jersey Division of Taxation, net of $841 of interest and penalties accrued prior to settlement. Income taxes in the nine-month period of the prior year 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 and $1,163 of accrued interest and penalties related to the New Jersey tax dispute. Excluding these items from both fiscal years, the effective income tax rate was 41.7% in the nine-month period of fiscal 2015 as compared to 41.8% in the nine-month period of the prior year.

The dispute and related settlement with the New Jersey Division of Taxation is described in note 5 to the consolidated condensed financial statements.

Net Income (Loss). Net income was $13,206 in the third quarter of fiscal 2015 compared to $3,188 in the third quarter of the prior year. The third quarter of fiscal 2015 includes a tax benefit of $7,293 as a result of the settlement reached with the New Jersey Division of Taxation, while the third quarter of the prior year includes pre-opening costs for the replacement store in Union of $316 (net of tax) and a higher tax rate due to $440 of accrued interest and penalties related to the New Jersey tax dispute. Excluding these items from both fiscal years, net income increased 50% in the third quarter of fiscal 2015 compared to the prior year due primarily to the impact of the Union replacement store, the 2.2% same store sales increase and higher gross margin percentages.

Net income was $23,688 in the nine-month period of fiscal 2015 compared to a net loss of $825 in the nine-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) and a tax benefit of $6,452 related to settlement of the New Jersey tax dispute, net of interest and penalties accrued in fiscal 2015 prior to settlement. 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, a higher tax rate due to $1,163 of accrued interest and penalties related to the New Jersey tax dispute, 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 $1,015 (net of tax). Excluding these items, net income increased 38% in the nine-month period of fiscal 2015 compared to the prior year primarily due to the impact of the greater Morristown and Union replacement stores, the 2.0% 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 April 25, 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 $7,524 in the nine-month period of fiscal 2015 compared to $35,845 in the corresponding period of the prior year. This decrease is primarily attributable to the $33,000 settlement with the New Jersey Division of Taxation and changes in the timing of payables. During the first nine months of fiscal 2015, Village used cash to fund capital expenditures of $17,264 and dividends of $9,412. Capital expenditures primarily include costs associated with remodels of existing stores.

Village expects capital expenditures of $25,000 in fiscal 2015. Planned expenditures include the expansion and remodel of the Stirling, New Jersey store 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 April 25, 2015 and operating cash flow generated in fiscal 2015.

Working capital was $37,933 at April 25, 2015 compared to $16,782 at July 26, 2014. The working capital ratio was 1.4 to 1 at April 25, 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 April 25, 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 the expansion and remodel of the Stirling, New Jersey store 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 income tax benefit 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 in fiscal 2015 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.

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 April 25, 2015, the Company had demand deposits of $33,926 at Wakefern earning interest at overnight money market rates, which are exposed to the impact of interest rate changes.

At April 25, 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 April 25, 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 June 3, 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: June 3, 2015	/s/ James Sumas James Sumas (Chief Executive Officer)
Dated: June 3, 2015	/s/ John Van Orden John Van Orden (Chief Financial Officer)