

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS INC
Form 10-Q
September 17, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Quarterly period ended August 3, 2002

Commission file number 1-5745-1
FOODARAMA SUPERMARKETS, INC.
(Exact name of Registrant as specified in its charter)

New Jersey	21-0717108
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification No.)

922 Highway 33, Freehold, N.J. 07728

(Address of principal executive offices)

Telephone #732-462-4700

(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 and (2) has been subject to the filing requirements for at least the past 90 days.

Yes X No

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

CLASS	OUTSTANDING AT September 6, 2002
-----	-----
Common Stock shares \$1 par value	986,367

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Unaudited Consolidated Condensed Balance Sheets
August 3, 2002 and November 3, 2001

Unaudited Consolidated Condensed Statements
of Operations for the thirteen weeks ended
August 3, 2002 and July 28, 2001

Unaudited Consolidated Condensed Statements
of Operations for the thirty nine weeks
ended August 3, 2002 and July 28, 2001

Unaudited Consolidated Condensed Statements
of Cash Flows for the thirty nine weeks
ended August 3, 2002 and July 28, 2001

Notes to the Unaudited Consolidated
Condensed Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Disclosure Concerning Forward-Looking Statements

All statements, other than statements of historical fact, included in this Form 10-Q, including without limitation the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Foodarama Supermarkets, Inc. (the "Company" which may be referred to as we, us or our) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this Form 10-Q. Such potential risks and uncertainties, include without limitation, competitive pressures from other supermarket operators and warehouse club stores, economic conditions in the Company's primary markets, consumer spending patterns, availability of capital, cost of labor, cost of goods sold including increased costs from the Company's cooperative supplier, Wakefern Food Corporation ("Wakefern"), and other risk factors detailed herein and in other of the Company's Securities and Exchange Commission filings. The forward-looking statements are made as of the date of this Form 10-Q and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those projected in such forward-looking statements.

2

PART I FINANCIAL INFORMATION
FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(in thousands)

August 3,

November 3,

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	2002 (Unaudited)	2001 (1)
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,089	\$ 4,219
Merchandise inventories	42,929	42,827
Receivables and other current assets	8,062	5,466
Related party receivables - Wakefern	6,569	8,970
Related party receivables - other	12	7
	-----	-----
	62,661	61,489
	-----	-----
Property and equipment:		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	41,236	39,589
Equipment	112,546	103,394
Property under capital leases	69,867	59,909
Construction in progress	4,561	6,787
	-----	-----
	229,738	211,207
Less accumulated depreciation and amortization	108,680	98,218
	-----	-----
	121,058	112,989
	-----	-----
Other assets:		
Investments in related parties	12,758	12,758
Intangibles	2,873	3,136
Other	2,887	2,550
Related party receivables - Wakefern	1,702	1,593
Related party receivables - other	-	11
	-----	-----
	20,220	20,048
	-----	-----
	\$ 203,939	\$194,526
	=====	=====

(continued)

(1) Derived from the Audited Consolidated Financial Statements for the year ended November 3, 2001.

See accompanying notes to the consolidated condensed financial statements.

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(in thousands - except share data)

August 3, 2002 (Unaudited)	November 3, 2001 (1)
----------------------------------	----------------------------

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

LIABILITIES AND SHAREHOLDERS' EQUITY	-----	-----
Current liabilities:		
Current portion of long-term debt	\$ 5,994	\$ 5,390
Current portion of long-term debt, related party	831	902
Current portion of obligations under capital leases	1,098	899
Current income taxes payable	392	704
Deferred income tax liability	1,079	1,079
Accounts payable:		
Related party - Wakefern	35,442	35,988
Others	8,201	8,780
Accrued expenses	12,684	14,654
	-----	-----
	65,721	68,396
	-----	-----
Long-term debt	24,179	19,294
Long-term debt, related party	704	1,310
Obligations under capital leases	63,912	54,949
Deferred income taxes	1,563	1,201
Other long-term liabilities	10,949	10,883
	-----	-----
	101,307	87,637
	-----	-----
Shareholders' equity:		
Common stock, \$1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 985,867 shares August 3, 2002; 1,088,220 shares November 3, 2001	1,622	1,622
Capital in excess of par	4,168	4,168
Deferred compensation	(1,417)	(1,696)
Retained earnings	46,669	44,016
Accumulated other comprehensive income:		
Minimum pension liability	(1,920)	(1,920)
	-----	-----
	49,122	46,190
Less 635,900 shares August 3, 2002; 533,547 shares November 3, 2001 held in treasury, at cost	12,211	7,697
	-----	-----
	36,911	38,493
	-----	-----
	\$ 203,939	\$ 194,526
	=====	=====

(1) Derived from the Audited Consolidated Financial Statements for the year ended November 3, 2001.

See accompanying notes to the consolidated condensed financial statements.

4

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Operations - Unaudited
(in thousands - except share data)

13 Weeks Ended

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	August 3, 2002	July 28, 2001
Sales	\$ 241,544	\$ 233,052
Cost of goods sold	179,255	174,696
Gross profit	62,289	58,356
Selling, general and administrative expenses	58,256	54,863
Earnings from operations	4,033	3,493
Other (expense) income:		
Interest expense	(2,051)	(1,825)
Interest income	23	72
	(2,028)	(1,753)
Earnings before income tax provision	2,005	1,740
Income tax provision	(802)	(696)
Net income	\$ 1,203	\$ 1,044
Per share information:		
Net income per common share:		
Basic	\$ 1.22	\$.94
Diluted	\$ 1.15	\$.94
Weighted average shares outstanding:		
Basic	985,728	1,115,413
Diluted	1,042,571	1,115,413
Dividends per common share	-0-	-0-

See accompanying notes to the consolidated condensed financial statements.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	August 3, 2002	July 28, 2001
Sales	\$ 728,807	\$ 695,572
Cost of goods sold	544,243	523,762
Gross profit	184,564	171,810
Selling, general and administrative expenses	174,197	160,927
Earnings from operations	10,367	10,883
Other (expense) income:		
Interest expense	(6,038)	(5,815)
Interest income	94	225
	(5,944)	(5,590)
Earnings before income tax provision	4,423	5,293
Income tax provision	(1,770)	(2,118)
Net income	\$ 2,653	\$ 3,175
Per share information:		
Net income per common share:		
Basic	\$ 2.56	\$ 2.84
Diluted	\$ 2.43	\$ 2.84
Weighted average shares outstanding:		
Basic	1,036,917	1,116,664
Diluted	1,092,395	1,116,664
Dividends per common share	-0-	-0-

See accompanying notes to the consolidated condensed financial statements.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	39 Weeks Ended	
	August 3, 2002	July 28, 2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 2,653	\$ 3,175
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,496	9,498
Amortization, intangibles	263	263
Amortization, deferred financing costs	243	191
Amortization, deferred rent escalation	(173)	(45)
Provision to value inventory at LIFO	340	600
Deferred income taxes	362	171
Amortization of deferred compensation	235	-
(Increase) decrease in		
Merchandise inventories	(442)	1,049
Receivables and other current assets	(2,596)	(1,572)
Prepaid income taxes	-	398
Other assets	(551)	484
Related party receivables-Wakefern	2,292	2,012
Increase (decrease) in		
Accounts payable	(1,125)	2,721
Income taxes payable	(312)	918
Other liabilities	(1,687)	1,398
	-----	-----
	9,998	21,261
	-----	-----
Cash flows from investing activities:		
Cash paid for the purchase of property and equipment	(6,252)	(7,072)
Cash paid for construction in progress	(2,359)	(1,199)
Decrease in related party receivables-other	6	129
	-----	-----
	(8,605)	(8,142)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of debt	9,597	-
Principal payments under long-term debt	(4,108)	(7,024)
Principal payments under capital lease obligations	(796)	(481)
Principal payments under long-term debt, related party	(677)	(655)
Deferred financing costs	(25)	(66)
Proceeds from exercise of stock options	10	-
Repurchase of common stock	(4,524)	(393)
	-----	-----
	(523)	(8,619)
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	870	4,500
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,219	3,977
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,089	\$ 8,477
	=====	=====

See accompanying notes to the consolidated condensed financial statements.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1 Basis of Presentation

The unaudited Consolidated Condensed Financial Statements as of, or for the period ended August 3, 2002 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and rule 10-01. The balance sheet at November 3, 2001 has been taken from the audited financial statements at that date. In the opinion of the management of the Company, all adjustments (consisting only of normal recurring accruals) which are considered necessary for a fair presentation of the results of operations for the period have been made. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The reader is referred to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K/A for the year ended November 3, 2001.

At both August 3, 2002 and November 3, 2001, approximately 82% of merchandise inventories are valued by the Last-In-First-Out ("LIFO") method of inventory valuation while the balance of inventories are valued by the First-In-First-Out ("FIFO") method. If the FIFO method had been used for the entire inventory, inventories would have been \$1,963,000 and \$1,623,000 higher than reported at August 3, 2002 and November 3, 2001, respectively.

Certain reclassifications have been made to prior year financial statements in order to conform to the current year presentation.

These results are not necessarily indicative of the results for the entire fiscal year.

Note 2 Adoption of New Accounting Standards

Accounting for the Impairment or Disposal of Long-Lived Assets

Effective November 4, 2001 the Company adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 requires, among other things, the application of one accounting model for long-lived assets that are impaired or to be disposed of by sale. There was no significant impact from the adoption of SFAS 144 in the quarter or nine months ended August 3, 2002.

Accounting for Goodwill and Other Intangible Assets

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Accounting for Goodwill and Other Intangible Assets" which is effective for fiscal years beginning after December 15, 2001. SFAS 142 discontinues the practice of amortizing goodwill and indefinite lived intangible assets and initiates an annual review for impairment. Impairment would be examined more frequently if certain indicators are encountered. Intangible assets with a determinable useful life will continue to be amortized over that period. The Company is currently assessing, but has not yet determined, the impact of SFAS 142 on its financial position and results of operations. The Company plans to adopt SFAS 142 in the first quarter of fiscal year 2003.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Condition and Results of Operations

Financial Condition and Liquidity

The Company is a party to a Second Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") with three financial institutions. The Credit Agreement is secured by substantially all of the Company's assets and provided for a total commitment of up to \$58,000,000, including a revolving credit facility of up to \$28,000,000, a term loan in the amount of \$10,000,000 and a capital expenditures facility of up to \$20,000,000.

The Company's compliance with the major financial covenants under the Credit Agreement was as follows as of August 3, 2002:

Financial Covenant -----	Credit Agreement -----	Actual (As defined in the Credit Agreement) -----
Adjusted EBITDA (1)	Greater than \$16,000,000	\$ 21,188,000
Leverage Ratio (1)	Less than 3.2 to 1.00	1.50 to 1.00
Debt Service Coverage Ratio	Greater than 1.00 to 1.00	1.69 to 1.00
Adjusted Capex (2)	Less than \$5,600,000 (3) (5)	\$ 3,569,000 (4)
Store Project Capex	Less than \$4,500,000 (3) (5)	\$ 5,042,000 (4)

- (1) Excludes obligations under capitalized leases, interest expense and depreciation expense attributable to capitalized leases and changes in the LIFO reserve.
- (2) Adjusted Capex is all capital expenditures other than New/Replacement Store Project Capex.
- (3) Represents limitations on capital expenditures for fiscal 2002.
- (4) Represents capital expenditures for the 39 weeks ended August 3, 2002.
- (5) Does not include amounts not used in the prior fiscal year and available to be carried forward to fiscal 2002: \$710,000 for adjusted Capex and \$7,993,000 for Store Project Capex. After giving effect to the carry forward of available amounts, the Company's actual (as defined in the Credit Agreement) Store Project Capital Expenditures are less than the fiscal 2002 limit for such expenditures set forth in the Credit Agreement.

No cash dividends have been paid on the Common Stock since 1979, and the Company has no present intentions or ability to pay any dividends in the near future on its Common Stock. The Credit Agreement does not permit the payment of any cash dividends on our Common Stock.

The Company and its lenders are presently negotiating increases in the amount of the credit facility and the restatement of the Credit Agreement (the "Restated Credit Agreement"). Under the proposed Restated Credit Agreement, the total commitment would increase to \$80,000,000, including a revolving credit facility (the "Revolving Note")

of up to \$35,000,000, a term loan (the "Term Loan") in the amount of \$25,000,000 and a capital expenditures facility (the "Capex Facility") of up to \$20,000,000. The outstanding balances on the existing term loan (\$5,000,000) and the existing capital expenditures facility (\$10,652,662) will be incorporated into the Term Loan. The Restated Credit Agreement will mature December 31, 2007. The Term Loan

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

is to be paid in quarterly principal payments of \$1,250,000 commencing January 1, 2003. The Capex Facility provides for the payment of interest only on its outstanding balance, an unused facility fee of .75% until December 31, 2004 and fixed quarterly principal payments thereafter based on a seven year amortization schedule with a balloon payment due December 31, 2007. Interest rates float on the revolving credit facility, Term Loan and Capex Facility at the Base Rate (defined below) plus 1.50%, 2.00% and 2.00%, respectively. The Base Rate is the rate which is the greater of (i) the bank prime loan rate as published by the Board of Governors of the Federal Reserve System, or (ii) the Federal Funds rate, plus .50%. Additionally, the Company has the ability to use the London Interbank Offered Rate ("LIBOR") plus 3.25% to determine the interest rate on the revolving credit facility and LIBOR plus 3.75% to determine the interest rate on the Term Loan and Capex Facility. Other terms and conditions under the Restated Credit Agreement, including (a) the amount of permitted additional new indebtedness; (b) the amount of permitted capitalized lease obligations; (c) the amount of capital expenditures; (d) covenant objectives and (e) certain definitions, have been modified to reflect the additional term of the Restated Credit Agreement and the Company's financial and operational plan. Additionally, the Company is allowed to repurchase its Common Stock for an aggregate purchase price not to exceed \$1,000,000, subject to certain conditions and limitations, under the Restated Credit Agreement. The Company has reached an agreement in principle with its lenders on the material terms of the new credit facility and expects to close the Restated Credit Agreement before the end of September 2002; however, the proposed new credit facility will not be available to the Company unless and until definitive loan documents are executed and delivered.

Working Capital

At August 3, 2002, the Company had a working capital deficiency of \$3,060,000 compared to deficiencies of \$6,907,000 at November 3, 2001 and \$4,516,000 at July 28, 2001.

The improvement in working capital from November 3, 2001 was primarily due to the reduction of accounts payable and accrued expenses which increased the Revolving Note which is classified as long-term borrowings. The collection of \$2,401,000 of current related party receivables was offset by an increase in receivables and other current assets of \$2,596,000. This increase results primarily from construction advances due from landlords.

The Company normally requires small amounts of working capital since inventory is generally sold at approximately the same time that payments to Wakefern and other suppliers are due and most sales are for cash or cash equivalents.

Working capital ratios were as follows:

August 3, 2002	.95 to 1.0
November 3, 2001	.90 to 1.0
July 28, 2001	.93 to 1.0

10

Cash flows (in millions) were as follows:

	Thirty Nine Weeks Ended	
	8/3/02 7/28/01	
Operating activities...	\$10.0	\$21.3
Investing activities...	(8.6)	(8.2)
Financing activities...	(.5)	(8.6)
	-----	-----
Totals	\$.9	\$ 4.5

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

=====

=====

The Company had \$12,977,000 of available credit at August 3, 2002, under its revolving credit facility. The amount available under the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2002. The Company has capital commitments (net of landlord contributions) of \$20,154,000 for equipment and \$11,821,000 for leasehold improvements related to four stores which are under construction. Two of these are replacement stores, one is a new store and one is an expansion and remodeling of an existing store. All of these projects are in central New Jersey, will be World Class stores and are expected to open in the first and second quarters of fiscal 2003. The Company expects that the Restated Credit Agreement which it is currently negotiating will provide the funding for these commitments.

For the thirty nine weeks ended August 3, 2002 depreciation was \$10,496,000 while capital expenditures totaled \$8,611,000, compared to \$9,498,000 and \$8,271,000, respectively, in the prior year period. The increase in depreciation was the result of the purchase of equipment and leasehold improvements for the three locations remodeled in fiscal 2001, the new location opened in Middletown, New Jersey in November 2001, as well as one additional capitalized real estate lease.

During the nine months ended August 3, 2002, the Company repurchased a total of 102,853 shares of Common Stock under the stock repurchase program announced on June 8, 2001. 101,553 of these shares were purchased in privately negotiated transactions and the remaining 1,300 shares were acquired in open market transactions. 6,377 of these shares were owned by a member of the family of Joseph J. Saker, the Company's Chairman, and were purchased for an average of \$39.52 per share. \$4,523,670, or an average of \$43.98 per share, was expended for the purchase of the 102,853 shares. Since the announcement of the stock repurchase program, the Company has repurchased 131,923 shares for \$5,591,597 or an average of \$42.39 per share.

Results of Operations (13 weeks ended August 3, 2002 compared to 13 weeks ended July 28, 2001)

Sales:

Same store sales from the twenty one stores in operation in both periods increased 1.2%. This increase in comparable store sales was partially offset by decreased sales in certain of the Company's stores affected by competitive store openings. Sales for the current quarter totaled \$241.5 million as compared to \$233.1 million of sales in the prior year period. Sales for the current quarter included the operations of a new location in Middletown, New Jersey opened November 14, 2001, which replaced an older, smaller location in the same shopping center.

11

Gross Profit:

Gross profit as a percent of sales increased to 25.8% of sales compared to 25.0% in the prior year period. Patronage dividends, applied as a reduction of the cost of merchandise sold, were \$1.7 million in the current period versus \$1.6 million in the prior year period. Gross profit as a percentage of sales increased primarily as a result of improved product mix, a reduction in product loss through improved shrink control and the contribution of the new Middletown location. These increases were partially offset by programs implemented in certain of the Company's stores to address competitive store openings.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Operating Expenses:

Selling, general and administrative expenses as a percent of sales were 24.1% versus 23.5% in the prior year period. The increase in selling, general and administrative expenses, as a percent of sales, was due to increases in certain expense categories as a percentage of sales. As a percentage of sales, labor and related fringe benefits increased .33%, depreciation, including depreciation on capitalized leases, increased .08% and administrative expense increased .19%. These increases were partially offset by a decrease in supply costs of .07%. The increase in labor and related fringe benefits was the result of additional personnel for the new Middletown store, increased sales in service intensive departments and contractual increases in fringe benefits. The increase in administrative expense was primarily due to increases in fringe benefit costs.

Interest Expense:

Interest expense increased to \$2,051,000 from \$1,825,000 while interest income was \$23,000 compared to \$72,000 for the prior year period. The increase in interest expense for the current year period was due to an increase in the average outstanding debt, including increased capitalized lease obligations, partially offset by a decrease in the average interest rate paid on debt.

Income Taxes:

An income tax rate of 40% has been used in both the current and prior year periods based on the expected effective tax rates.

Net Income:

Net income was \$1,203,000 in the current year period as compared to \$1,044,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the thirteen weeks ended August 3, 2002 were \$7,790,000 as compared to \$6,963,000 in the prior year period. Net income per common share on a diluted basis was \$1.15 in the current period compared to \$.94 in the prior year period. Per share calculations are based on a weighted average basis of 1,042,571 shares outstanding in the current year period and 1,115,413 shares outstanding in the prior year period.

12

Results of Operations (39 weeks ended August 3, 2002 compared to 39 weeks ended July 28, 2001)

Sales:

Same store sales from the twenty one stores in operation in both periods increased 2.5%. This increase in comparable store sales was partially offset by decreased sales in certain of the Company's stores affected by competitive store openings.

Sales for the stores in operation for the current thirty nine week period totaled \$728.8 million as compared to \$695.6 million of sales from the stores operated in the prior year period. Sales for the current thirty nine week period included the operations of one new location opened in Middletown, New Jersey in November 2001 which replaced an older, smaller store in the same shopping center.

Gross profit:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Gross profit as a percent of sales increased to 25.3% of sales compared to 24.7% in the prior year period. Patronage dividends, applied as a reduction of the cost of merchandise sold, were \$5.0 million compared to \$4.6 million in the prior year period. Gross profit as a percentage of sales increased primarily as a result of improved product mix, the contribution of the new location and a reduction in product loss through improved shrink control. These increases were offset in part by programs implemented in certain of the Company's stores to address competitive store openings.

Operating Expenses:

Selling, general and administrative expenses as a percent of sales were 23.9% versus 23.1% in the prior year period. The increase in selling, general and administrative expense, as a percent of sales, was primarily due to increases in certain expense categories as a percentage of sales. As a percentage of sales, labor and related fringe benefits increased .67%, depreciation, including depreciation on capitalized leases, increased .08% and administrative expense increased .14%. These increases were partially offset by decreases in occupancy expense of .12%. The increase in labor and related fringe benefits was the result of additional personnel for the new Middletown store, increased sales in service intensive departments and contractual increases in fringe benefits. The increase in administrative expense was primarily due to increases in fringe benefit costs.

Interest Expense:

Interest expense increased to \$6,038,000 from \$5,815,000 while interest income was \$94,000 compared to \$225,000 for the prior year period. The increase in interest expense for the current year period was due to an increase in average outstanding debt, including increased capitalized lease obligations, partially offset by a decrease in the average interest rate paid on debt.

Income Taxes:

An income tax rate of 40% has been used in both the current and prior year periods based on the expected effective tax rates.

13

Net Income:

Net income was \$2,653,000 in the current year period. This compares to \$3,175,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were \$21,196,000 as compared to \$20,790,000 in the prior year period. Net income per common share on a diluted basis was \$2.43 in the current period compared to \$2.84 in the prior year period. Per share calculations are based on a weighted average basis of 1,092,395 shares outstanding in the current year period and 1,116,664 shares outstanding in the prior year period.

14

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit (99.1) - Certification of Chief Executive Officer

Exhibit (99.2) - Certification of Chief Financial Officer

(b) Reports on Form 8-K

May 17, 2002 - Foodarama Supermarkets, Inc. issued a press release stating that, in a separate press release, Wakefern reported that it had entered into an agreement with Big V Supermarkets, Inc. ("Big V") and its creditors to amend the terms under which Wakefern will purchase Big V. A press release dated May 7, 2002 was filed as an exhibit.

July 30, 2002 - Foodarama Supermarkets, Inc. issued a

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

press release stating that, in a separate press release, Wakefern reported that it had closed on its purchase of Big V on July 12, 2002. A press release dated July 26, 2002 was filed as an exhibit.

15

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.

FOODARAMA SUPERMARKETS, INC.
(Registrant)

Date: September 17, 2002

/S/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro
Senior Vice President
Chief Financial Officer

Date: September 17, 2002

/S/ THOMAS H. FLYNN

(Signature)

Thomas H. Flynn
Director of Accounting
Principal Accounting Officer

16

Exhibit 99.1

CERTIFICATION

I, Joseph J. Saker, Sr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended August 3, 2002 of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report.

Date: September 17, 2002

/S/ JOSEPH J. SAKER, SR.

(Signature)
Joseph J. Saker, Sr.
Chairman and Chief Executive Officer

Exhibit 99.2

CERTIFICATION

I, Michael Shapiro, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended August 3, 2002 of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report.

Date: September 17, 2002

/s/ MICHAEL SHAPIRO

(Signature)
Michael Shapiro
Senior Vice President and Chief
Financial Officer

