

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS INC
Form 10-Q
March 14, 2003

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 February 1, 2003

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 such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the Registrant is an accelerated filer (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 close of the latest practicable date.

CLASS	OUTSTANDING AT March 7, 2003
-----	-----
Common Stock \$1 par value	986,867 shares

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS, INC.

PART I. FINANCIAL INFORMATION

- Item 1. Financial Statements
- Unaudited Consolidated Condensed Balance Sheets February 1, 2003 and November 2, 2002
- Unaudited Consolidated Condensed Statements of Operations for the thirteen weeks ended February 1, 2003 and February 2, 2002
- Unaudited Consolidated Condensed Statements of Cash Flows for the thirteen weeks ended February 1, 2003 and February 2, 2002
- Notes to the Unaudited Consolidated Condensed Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

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

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

from those projected in such forward-looking statements.

2

PART I FINANCIAL INFORMATION

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(in thousands)

	February 1, 2003 (Unaudited)	November 2, 2002 (1)
ASSETS	-----	-----
Current assets:		
Cash and cash equivalents	\$ 4,671	\$ 4,280
Merchandise inventories	46,140	43,707
Receivables and other current assets	10,081	11,214
Prepaid and refundable income taxes	775	257
Related party receivables - Wakefern	5,403	8,903
	-----	-----
	67,070	68,361
	-----	-----
Property and equipment:		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	50,031	41,311
Equipment	124,155	114,077
Property under capital leases	89,264	69,867
Construction in progress	5,771	15,364
	-----	-----
	270,749	242,147
Less accumulated depreciation and amortization	115,238	112,360
	-----	-----
	155,511	129,787
	-----	-----
Other assets:		
Investments in related parties	13,373	12,758
Goodwill	1,715	1,715
Intangibles	1,238	1,290
Other	3,618	3,743
Related party receivables - Wakefern	1,774	1,735
	-----	-----
	21,718	21,241
	-----	-----
	\$244,299	\$219,389
	=====	=====

(continued)

(1) Derived from the Audited Consolidated Financial Statements for the year ended November 2, 2002.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

See accompanying notes to the consolidated condensed financial statements.

3

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

	February 1, 2003 (Unaudited)	November 2, 2002 (1)
LIABILITIES AND SHAREHOLDERS' EQUITY	-----	-----
Current liabilities:		
Current portion of long-term debt	\$ 7,565	\$ 7,158
Current portion of long-term debt, related party	630	629
Current portion of obligations under capital leases	1,208	1,140
Current income taxes payable	421	-
Deferred income taxes	1,433	1,433
Accounts payable:		
Related party-Wakefern	43,108	31,935
Others	10,603	14,078
Accrued expenses	13,779	12,578
	-----	-----
	78,747	68,951
	-----	-----
Long-term debt	30,950	35,745
Long-term debt, related party	1,085	686
Obligations under capital leases	82,520	63,606
Deferred income taxes	1,275	1,142
Other long-term liabilities	12,645	12,634
	-----	-----
	128,475	113,813
	-----	-----
Shareholders' equity:		
Common stock, \$1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 986,867 shares February 1, 2003; 986,367 shares November 2, 2002	1,622	1,622
Capital in excess of par	4,168	4,168
Deferred Compensation	(1,231)	(1,324)
Retained earnings	47,605	47,256
Accumulated other comprehensive income:		
Minimum pension liability	(2,896)	(2,896)
	-----	-----
	49,268	48,826
Less 634,900 shares February 1, 2003; 635,400 shares November 2, 2002, held in treasury, at cost	12,191	12,201
	-----	-----
	37,077	36,625
	-----	-----
	\$ 244,299	\$ 219,389
	=====	=====

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

(1) Derived from the Audited Consolidated Financial Statements for the year ended November 2, 2002.

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	
	February 1, 2003	February 2, 2002
Sales	\$ 257,091	\$ 252,027
Cost of goods sold	192,334	188,635
Gross profit	64,757	63,392
Selling, general and administrative expenses	61,891	59,412
Earnings from operations	2,866	3,980
Other income (expense):		
Interest expense	(2,321)	(1,907)
Interest income	37	40
	(2,284)	(1,867)
Earnings before income tax provision	582	2,113
Income tax provision	(233)	(846)
Net income	\$ 349	\$ 1,267
Per share information:		
Net income per common share:		
Basic	\$.35	\$ 1.17
Diluted	\$.34	\$ 1.12
Weighted average shares outstanding:		
Basic	986,550	1,079,675
Diluted	1,016,482	1,133,528
Dividends per common share	-0-	-0-

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

See accompanying notes to the consolidated condensed financial statements.

5

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
 Consolidated Condensed Statements of Cash Flows - Unaudited
 (in thousands)

	13 Weeks Ended	
	February 1, 2003	February 2, 2002
Cash flows from operating activities:		
Net income	\$ 349	\$ 1,267
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,832	3,405
Amortization, goodwill	-	35
Amortization, intangibles	52	53
Amortization, deferred financing costs	115	75
Amortization, deferred rent escalation	(79)	(58)
Provision to value inventory at LIFO	155	100
Deferred income taxes	133	200
Amortization of deferred compensation	77	81
(Increase) decrease in		
Merchandise inventories	(2,588)	(2,899)
Receivables and other current assets	(556)	(1,296)
Prepaid and refundable income taxes	(518)	(113)
Other assets	28	(443)
Related party receivables-Wakefern	3,461	4,382
Increase (decrease) in		
Accounts payable	7,698	3,428
Income taxes payable	421	(704)
Other liabilities	1,307	(1,838)
	13,887	5,675
Cash flows from investing activities:		
Construction advance due from landlords	1,845	-
Cash paid for the purchase of property and equipment	(8,150)	(3,470)
Cash paid for construction in progress	(2,009)	(261)
Deposits on equipment	(156)	-
Increase in related party receivables-other	-	(1)
	(8,470)	(3,732)
Cash flows from financing activities:		
Proceeds from issuance of debt	5,595	4,000
Principal payments under long-term debt	(9,983)	(3,456)
Principal payments under capital lease obligations	(415)	(298)
Principal payments under long-term debt, related party	(215)	(252)
Deferred financing costs	(18)	-
Proceeds from exercise of stock options	10	-
Repurchase of common stock	-	(442)
	(5,026)	(448)

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

NET CHANGE IN CASH AND CASH EQUIVALENTS	391	1,495
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	4,280	4,219
	-----	-----
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 4,671	\$ 5,714
	=====	=====

See accompanying notes to the consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1 Basis of Presentation

The unaudited Consolidated Condensed Financial Statements as of or for the period ending February 1, 2003, 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 2, 2002 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 for the year ended November 2, 2002.

At both February 1, 2003 and November 2, 2002, 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. Effective November 3, 2002 the Company changed from the 80% LIFO method to the 100% LIFO method. The effect of this change on the first quarter ended February 1, 2003 was to decrease net income \$54,000 (\$.05 per diluted share). If the FIFO method had been used for the entire inventory, inventories would have been \$2,175,000 and \$2,020,000 higher than reported at February 1, 2003 and November 2, 2003, 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 Goodwill and Other Intangible Assets

Effective November 3, 2002, the Company implemented Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Accounting for Goodwill and Other Intangible Assets." Goodwill and other intangibles that have indefinite useful lives will not be amortized, but instead will be tested at least annually for impairment at the reporting unit level. The Company has determined that it is contained within one reporting unit and as such, impairment is tested at the company level. During the first quarter of fiscal 2003, the Company completed goodwill transition and annual impairment tests prescribed by SFAS 142 and concluded that no impairment of goodwill existed as of November 3, 2002.

The gross carrying amount and accumulated amortization of the Company's other intangible assets as of February 1, 2003 and November 2, 2002 are as follows:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	February 1, 2003		November 2, 2002	
	(in thousands)			
Amortized Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Bargain Leases	\$ 3,918	\$ 2,900	\$ 3,918	\$ 2,848
Unamortized Intangible Assets				
Liquor Licenses	220	-	220	-
Total	\$ 4,138	\$ 2,900	\$ 4,138	\$ 2,848

Amortization expense recorded on the intangible assets for the thirteen weeks ended February 1, 2003 and February 2, 2002 was \$52,000 and \$53,000, respectively. As a result of the adoption of SFAS 142, there were no changes to amortizable lives or amortization methods. The estimated amortization expense for the Company's other intangible assets for each of the five succeeding fiscal years is as follows:

Fiscal Year	(In thousands)
2003	\$192
2004	106
2005	106
2006	106
2007	106

The following table illustrates net income available to common stockholders and earnings per share, exclusive of goodwill amortization expense in the prior periods:

	Thirteen weeks ended					
	February 1, 2003			February 2, 2002		
	(in thousands, except per share data)					
	Net Income	Basic earnings per share	Diluted earnings per share	Net Income	Basic earnings per share	Diluted earnings per share
Reported net income	\$349	\$.35	\$.34	\$ 1,267	\$1.17	\$1.12
Goodwill amortization	-	-	-	35	.03	.03
Adjusted net income	\$349	\$.35	\$.34	\$ 1,302	\$1.20	\$1.15

Accounting for Asset Retirement Obligations

Effective November 3, 2002 the Company adopted Statement of Financial Accounting Standards No. 143 ("SFAS 143"), "Accounting for Asset Retirement Obligations". SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. There was no significant impact from the adoption of SFAS 143 in the quarter ended February 1, 2003.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

8

Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections

Effective November 3, 2002 the Company adopted Statement of Financial Accounting Standards No. 145 ("SFAS 145"), "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Under SFAS 145, gains and losses from extinguishment of debt will no longer be aggregated and classified as an extraordinary item, net of related income tax effect, on the statement of earnings. There was no significant impact from the adoption of SFAS 145 in the quarter ended February 1, 2003.

Accounting for Costs Associated with Exit or Disposal Activities

Effective November 3, 2002 the Company adopted Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires recognition of a liability for the costs associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan as required under EITF Issue No. 94-3. SFAS 146 will primarily impact the timing of the recognition of costs associated with any future exit or disposal activities. There was no significant impact from the adoption of SFAS 146 in the quarter ended February 1, 2003.

Part I - Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results and 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The Company's critical accounting policies relating to the impairment of goodwill, patronage dividends earned as a stockholder of Wakefern and workers' compensation insurance are described in the Company's Annual Report on Form 10-K for the year ended November 2, 2002. As of February 1, 2003 there have been no material changes to any of the critical accounting policies contained therein.

Financial Condition and Liquidity

The Company is a party to a Third Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") with four financial institutions. The Credit Agreement is secured by substantially all of the Company's assets and provided for a total commitment of up 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

9

(the "Capex Facility") of up to \$20,000,000. As of February 1, 2003 the Company owed \$23,750,000 on the Term Loan and \$1,595,274 under the Capex Facility.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

On January 31, 2003 the Company financed the purchase of \$4,000,000 of equipment for the new store location in Woodbridge, New Jersey. The note bears interest at 6.45% and is payable in monthly installments over its seven year term.

The Company's compliance with the major financial covenants under the Credit Agreement was as follows as of February 1, 2003:

Financial Covenant -----	Credit Agreement -----	Actual (As defined in the Credit Agreement) -----
Adjusted EBITDA (1)	Greater than \$16,500,000	\$ 19,931,000
Leverage Ratio (1)	Less than 3.6 to 1.00	2.02 to 1.00
Debt Service Coverage Ratio	Greater than 1.10 to 1.00	1.87 to 1.00
Adjusted Capex (2)	Less than \$5,740,000 (3) (5)	\$ 1,393,000 (4)
Store Project Capex	Less than \$23,175,000 (3) (5)	\$ 8,766,000 (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 2003.

(4) Represents capital expenditures for the quarter ended February 1, 2003.

(5) Does not include amounts not used in the prior fiscal year and available to be carried forward to fiscal 2003: \$2,589,000 for Adjusted Capex and \$8,191,000 for Store Project Capex.

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.

Working Capital -----

At February 1, 2003, the Company had a working capital deficiency of \$11,677,000 compared to deficiencies of \$590,000 at November 2, 2002 and \$6,952,000 at February 2, 2002. Since the end of fiscal 2002 the working capital deficiency increased as the result of the collection of related party receivables from Wakefern related to the fiscal 2002 patronage dividend receivable and the increase in related party accounts payable to Wakefern resulting from increased sales, the inventory for the new Woodbridge and Ewing stores and the deferral of payment for Wakefern promotional programs. Funds used to pay these accounts payable will come from the revolving credit facility thereby increasing the Revolving Note which is classified as long-term borrowings. This will result in a corresponding increase in working capital. Receivables and other current assets include receivables due from the landlord for construction allowances for the Woodbridge, New Jersey location. These receivables are currently in dispute as a result of litigation with the landlord over the correct commencement date of the lease for the new Woodbridge location. The Company denies the landlord's allegations, and the amount and timing of collection of the construction allowances will depend upon the outcome of the litigation. When collected, the proceeds from these receivables will be used to reduce the Revolving Note which is classified as long-term borrowings. This will result in a corresponding decrease in working capital.

During the fiscal year 2002, the Business Tax Reform Act was passed in the State of New Jersey. This legislation is effective for tax years beginning on or after

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

January 1, 2002 (fiscal 2003). Corporate taxpayers are subject to an Alternative Minimum Assessment ("AMA"), which is based upon either New Jersey gross receipts or New Jersey gross profits, if the AMA exceeds the tax based on net income. The Company has reflected in its current tax provision the effect of the AMA. The AMA increased the Company's current tax liability by \$317,000.

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:

February 1, 2003	.85 to 1.0
November 2, 2002	.99 to 1.0
February 2, 2002	.90 to 1.0

Cash flows (in millions) were as follows:

	Thirteen Weeks Ended	
	2/1/03	2/2/02
	-----	-----
Operating activities...	\$ 13.9	\$ 5.7
Investing activities...	(8.5)	(3.7)
Financing activities...	(5.0)	(.5)
	-----	-----
Totals	\$.4	\$ 1.5
	=====	=====

The Company had \$19,656,000 of available credit, at February 1, 2003, under its revolving credit facility. The Company has capital commitments (net of landlord contributions) of \$9,461,000 for equipment and \$3,143,000 for leasehold improvements related to two stores which are under construction and the two stores which opened in the quarter ended February 1, 2003. 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, are or will be World Class stores and have opened or are expected to open in the third quarter of fiscal 2003. The amounts available under the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2003.

For the 13 weeks ended February 1, 2003 depreciation was \$3,832,000 while capital expenditures totaled \$10,159,000, compared to \$3,405,000 and \$3,731,000, respectively, in the prior year period. The increase in depreciation was the result of the purchase of equipment and leasehold improvements for the two new locations opened in Woodbridge and Ewing, New Jersey in December 2002 and January 2003, respectively, as well as two additional capitalized real estate leases. The increase in capital expenditures was due to the acquisition of equipment and leasehold improvements for the locations opened in the first quarter of fiscal 2003 and the two stores under construction as compared with only one new location opened in the first quarter of fiscal 2002.

11

Results of Operations	(13 weeks ended February 1, 2003 compared to 13
-----	weeks ended February 2, 2002)

Sales:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Sales for the current period totaled \$257.1 million as compared to \$252.0 million in the prior year period. Same store sales from the twenty stores in operation in both periods decreased 1.4%. This decrease was primarily due to a softening in the economy, the effect of competitive store openings and the impact of deflation in certain product categories.

Sales for the current quarter included the operations of the new locations opened in December 2002 and January 2003 in Woodbridge and Ewing, New Jersey, respectfully. The location in Woodbridge replaced an older, smaller store in the same shopping center.

Gross Profit:

Gross profit as a percent of sales was 25.2% for both fiscal 2003 and fiscal 2002. Patronage dividends, applied as a reduction of the cost of merchandise sold, were \$1.9 million in the current year period compared to \$1.7 million in the prior year period.

Operating Expenses:

Selling, general and administrative expenses as a percent of sales were 24.1% versus 23.6% in the prior year period. The increase in selling, general and administrative expenses 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 .23%, occupancy increased .13%, other store expenses, which included Wakefern support services and debit/credit card fees, increased .05%, depreciation, including depreciation on capitalized leases, increased .14%, and pre-opening costs increased .25%. These increases were partially offset by a decrease in selling expense of .16%, supplies of .07% and administration of .07%. The increase in labor and related fringe benefits was the result of contractual increases in fringe benefits. Pre-opening costs were for the new Woodbridge and Ewing stores opened in December 2002 and January 2003, respectfully.

Interest Expense:

Interest expense increased to \$2,321,000 from \$1,907,000, while interest income was \$37,000 compared to \$40,000 for the prior year period. The increase in interest expense for the current year period was due to a net increase in average outstanding debt, including capitalized lease obligations, and an increase 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.

12

Net Income:

Net income was \$349,000 in the current year period compared to \$1,267,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were \$6,786,000 as compared to \$7,490,000 in the prior year period. Net income per common share on a diluted basis was \$.34 in the current period compared to \$1.12 in the prior year period. Per share calculations are based on 1,016,482 shares outstanding in the current year period and 1,133,528 shares outstanding in the prior year period.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except for indebtedness under the Credit Agreement which is variable rate financing, the balance of our indebtedness is fixed rate financing. We believe that our exposure to market risk relating to interest rate risk is not material. The Company believes that its business operations are not exposed to market risk relating to foreign currency exchange risk, commodity price risk or equity price risk.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, within ninety (90) days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chairman and Chief Executive Officer along with the Company's Chief Financial Officer, who concluded that the Company's disclosure controls and procedures are effective. The Company's Internal Auditor and Principal Accounting Officer also participated in this evaluation. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

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.

13

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Exhibit (99.1) - Certification of Chief Executive Officer

Exhibit (99.2) - Certification of Chief Financial Officer

(b) Reports on Form 8-K

None

14

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOODARAMA SUPERMARKETS, INC.

(Registrant)

Date: March 14, 2003

/S/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro
Senior Vice President
Chief Financial Officer

Date: March 14, 2003

/S/ THOMAS H. FLYNN

(Signature)

Thomas H. Flynn
Director of Accounting
Principal Accounting Officer

15

CERTIFICATION

I, Joseph J. Saker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foodarama

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

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 period presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

/S/ JOSEPH J. SAKER, SR.

(Signature)

Joseph J. Saker, Sr.
Chief Executive Officer

CERTIFICATION

I, Michael Shapiro, certify that:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

1. I have reviewed this quarterly report on Form 10-Q 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 period presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

/S/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro

Chief Financial Officer

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

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 February 1, 2003 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: March 14, 2003

/S/ JOSEPH J. SAKER, SR.

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

18

Exhibit 99.2

CERTIFICATION

I, Michael Shapiro, certify that:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended February 1, 2003 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: March 14, 2003

/s/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro
Senior Vice President and Chief
Financial Officer