


2014

VILLAGE SUPER MARKET ANNUAL REPORT

The Company

Village Super Market, Inc. operates a chain of 29 ShopRite supermarkets,18 of which are located in northern New Jersey, 8 in the southern shore area of New Jersey, 1 in northeastern Pennsylvania, and 2 in Maryland.

Village is a member of Wakefern Food Corporation, the largest retailer-owned food cooperative in the United States. Village's business was founded in 1937 by Nicholas and Perry Sumas and has continued to be principally owned and operated under the active management of the Sumas family.

Contents

Dear Fellow Shareholders

Net income, excluding special items, declined 17% in fiscal 2014. Sales were $1.52 billion, an increase of 2.9%. Same store sales increased only .2%. These results are as disappointing to management as they are to our fellow shareholders. However, there was exciting progress for our future.

In November 2013, we opened our flagship 77,000 sq. ft. ShopRite® of Greater Morristown replacement store. The Greater Morristown store showcases our commitment and ability to provide an expansive variety of products and enhanced services to our guests in a unique, exciting environment. The Village Food Garden, or VFG®, in Greater Morristown offers a wide variety of foods prepared on-site by our talented chefs, including an international hot and cold bar with over 50 different dishes, barbeque at Mr. Perry's Smokehouse, hand rolled sushi and sashimi at Scrunchi San sushi, made to order sandwiches, wraps and salads at Blueprint Subs and Salads, an oyster bar, a Jersey-style diner, the Green juice bar and authentic Italian entrees and pizza at La Piazetta Trattoria. Guests can enjoy their meals in our 150-seat indoor / outdoor dining area, which also includes a culinary demonstration kitchen for cooking classes and other events.

In Greater Morristown we've also expanded our commitment to Helping Families Live Better with a Wellness Center that includes a fitness studio, registered dietician services, pharmacy and our Learning and Childcare Center. Our on-site registered dietician provides guests and employees free, private consultations on healthy eating and nutrition, as well as leading health related events both in store and in the surrounding communities. We now offer on-site registered dietician services in thirteen stores and will be expanding their reach to cover most of our other stores and surrounding communities.

In April, we opened our 59,000 sq. ft. replacement store in Union, NJ. We've incorporated many of the concepts introduced in Greater Morristown, including a refined version of VFG® that is tailored for the smaller available footprint. Additionally, both Greater Morristown and Union offer on-line shopping through ShopRite® from Home® and the ShopRite® app, which is now available in twelve of our stores with both pick-up and delivery options that cover most of our markets.

During fiscal 2014, we spent $50.3 million on capital expenditures, primarily to build the Greater Morristown and Union stores. We also distributed $12.4 million in dividends to our shareholders. In fiscal 2015 we plan to spend $25 million to improve our stores, including an expansion and major remodel of the Stirling store. Stirling will include both VFG® and our first Village Wellness Garden. The Village Wellness Garden will be a store within the store, centered on our registered dietician, where guests can enjoy an interactive, relaxed environment while shopping for a wide variety of natural, organic, gluten-free and other products that promote healthy living.

We believe the investments we have made in developing VFG®, our two new stores and in continuing to expand and improve the services we provide to our guests will serve our business well in future years. As always, we'd like to thank our associates for their dedication to our core principle of Helping Families Live Better.

James Sumas,
Chairman of the Board
October 2014

Selected Financial Data

(Dollars in thousands except per share and square feet data)

For year	July 26, 2014	July 27, 2013	July 28, 2012	July 30, 2011	July 31, 2010
Sales	**$1,518,636**	$1,476,457	$1,422,243	$1,298,928	$1,261,825
Net income	**5,045**	25,784	31,445	20,982	25,381
Net income as a % of sales	**0.33%**	1.75%	2.21%	1.62%	2.01%
Net income per share:					
Class A common stock:					
Basic	**$0.41**	$2.18	$2.74	$1.86	$2.28
Diluted	**0.36**	1.85	2.28	1.54	1.88
Class B common stock:					
Basic	**0.26**	1.36	1.78	1.21	1.48
Diluted	**0.26**	1.36	1.77	1.21	1.47
Cash dividends per share:					
Class A	**1.000**	2.000	0.850	1.700	0.970
Class B	**0.650**	1.300	0.553	1.105	0.631
At year-end					
Total assets	**$457,412**	$427,412	$409,538	$386,190	$357,129
Long-term debt	**45,242**	42,738	43,149	43,147	41,831
Working capital	**16,782**	94,299	71,672	44,448	41,201
Shareholders' equity	**233,136**	244,560	230,311	208,157	205,775
Book value per share	**16.59**	17.66	16.74	15.22	15.35
Other data					
Same store sales increase (decrease)	**0.2%**	2.9%	4.9%	4.0%	(0.7)%
Total square feet	**1,700,000**	1,644,000	1,644,000	1,604,000	1,483,000
Average total sq. ft. per store	**59,000**	57,000	57,000	57,000	57,000
Selling square feet	**1,339,000**	1,295,000	1,295,000	1,264,000	1,171,000
Sales per average square foot of selling space (1)	**$1,153**	$1,140	$1,112	$1,109	$1,085
Number of stores	**29**	29	29	28	26
Sales per average number of stores (1)	**$52,367**	$50,912	$49,903	$49,959	$48,532
Capital expenditures and acquisitions	**50,322**	21,888	20,852	19,941	20,204

Unaudited Quarterly Financial Data

(Dollars in thousands except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2014					
Sales	**$357,046**	**$392,241**	**$372,511**	**$369,838**	**$1,518,636**
Gross profit	**93,706**	**105,358**	**100,437**	**108,997**	**408,498**
Net (loss) income	**(6,831)**	**2,818**	**3,188**	**5,870**	**5,045**
Net (loss) income per share:					
Class A common stock:					
Basic	**(0.55)**	**0.23**	**0.26**	**0.47**	**0.41**
Diluted	**(0.55)**	**0.20**	**0.23**	**0.42**	**0.36**
Class B common stock:					
Basic	**(0.36)**	**0.15**	**0.17**	**0.30**	**0.26**
Diluted	**(0.36)**	**0.15**	**0.17**	**0.30**	**0.26**
2013					
Sales	$358,151	$382,175	$359,808	$376,323	$1,476,457
Gross profit	95,637	102,920	97,314	101,890	397,761
Net income	5,855	9,104	4,622	6,203	25,784
Net income per share:					
Class A common stock:					
Basic	0.52	0.76	0.38	0.51	2.18
Diluted	0.42	0.65	0.33	0.44	1.85
Class B common stock:					
Basic	0.30	0.49	0.25	0.33	1.36
Diluted	0.30	0.49	0.25	0.33	1.36

Fiscal 2010 contains 53 weeks. All other fiscal years contain 52 weeks.

(1) Amounts for the year ended July 30, 2011 exclude results of the two stores acquired in Maryland in July 2011.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in thousands except per share and per square foot data)

OVERVIEW

Village Super Market, Inc. (the "Company" or "Village") operates a chain of 29 ShopRite supermarkets in New Jersey, Maryland and northeastern Pennsylvania. On November 6, 2013, Village opened a 77,000 sq. ft. store in Hanover Township, New Jersey that serves the greater Morristown area and replaced the 40,000 sq. ft. Morris Plains store. On April 30, 2014, Village opened a 59,000 sq. ft. store in Union, New Jersey and closed our existing 40,000 sq. ft. store.

Village is the second largest member of Wakefern Food Corporation ("Wakefern"), the nation's largest retailer-owned food cooperative and owner of the ShopRite name. 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. During fiscal 2014, sales per store were $52,367 and sales per average square foot of selling space were $1,153. Management believes these figures are among the highest in the supermarket industry.

The supermarket industry is highly competitive and characterized by narrow profit margins. The Company competes directly with multiple retail formats, including national, regional and local supermarket chains as well as warehouse clubs, supercenters, drug stores, discount general merchandise stores, fast food chains, restaurants, dollar stores and convenience stores. Village competes by using low pricing, superior customer service, and a broad range of consistently available quality products, including ShopRite private labeled products. The ShopRite Price Plus card also strengthens customer loyalty.

Many of our stores emphasize a Power Alley, which features high margin, fresh, convenience offerings in an area within the store that provides quick customer entry and exit for those customers shopping for today's lunch or dinner. The greater Morristown and Union stores include the Village Food Garden concept previously introduced in our remodeled Livingston store. Village Food Garden features a restaurant style kitchen, and several kiosks offering a wide variety of store prepared specialty foods for both take-home and in-store dining. Village also has on-site registered dieticians in thirteen stores that provide customers with free, private consultations on healthy meals and proper nutrition, as well as leading health related events both in store and in the community as part of the Live Right with ShopRite program. Wakefern and Village have responded to customers increased use of the internet by creating a smart phone app and shoprite.com to provide weekly advertising and other shopping information. In addition, on-line shopping is available in twelve store locations with store pick-up and delivery options servicing our current market.

We consider a variety of indicators to evaluate our performance, such as same store sales; percentage of total sales by department (mix); shrink; departmental gross profit percentage; sales per labor hour; and hourly labor rates.

The Company utilizes a 52 - 53 week fiscal year, ending on the last Saturday in the month of July. Fiscal 2014, 2013 and 2012 contain 52 weeks.

RESULTS OF OPERATIONS

The following table sets forth the components of the Consolidated Statements of Operations of the Company as a percentage of sales:

	July 26, 2014	July 27, 2013	July 28, 2012
Sales	**100.00%**	100.00%	100.00%
Cost of sales	**73.10**	73.06	72.66
Gross profit	**26.90**	26.94	27.34
Operating and administrative expense	**23.47**	22.57	22.04
Depreciation and amortization	**1.47**	1.38	1.39
Operating income	**1.96**	2.99	3.91
Income from partnerships	**-**	0.10	-
Interest expense	**(0.24)**	(0.26)	(0.31)
Interest income	**0.17**	0.19	0.18
Income before income taxes	**1.89**	3.02	3.78
Income taxes	**1.56**	1.27	1.57
Net income	**0.33%**	1.75%	2.21%

Management's Discussion and Analysis of Financial Condition and Results of Operations
(continued)

Sales

Sales were $1,518,636 in fiscal 2014, an increase of $42,179, or 2.9% from the prior year. Sales increased due to the opening of the greater Morristown replacement store on November 6, 2013 and Union replacement store on April 30, 2014. Same store sales increased .2% due to increased sales in both Maryland stores and in stores that were closed for periods of up to eight days in the prior year due to superstorm Sandy, partially offset by lower sales due to three store openings by competitors, very high sales in the prior year as customers prepared for superstorm Sandy, and reduced sales in stores that reopened quickly after the storm. 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 $1,476,457 in fiscal 2013, an increase of $54,214, or 3.8% from the prior year. Sales increased due to the acquisition of a store in Old Bridge, NJ on January 29, 2012 and a same store sales increase of 2.9%. Same store sales increased due to higher sales as customers prepared for superstorm Sandy, improved sales at the stores that reopened quickly after that storm and higher sales in the two stores in Maryland. Sales continued to be impacted by economic weakness, high gas prices and high unemployment, which has resulted in increased sale item penetration and trading down.

Gross Profit

Gross profit as a percentage of sales decreased .04% in fiscal 2014 compared to the prior year primarily due to decreased departmental gross margin percentages (.33%). Gross margins declined in several departments primarily due to investments in lower prices to combat nontraditional competitors. This decrease was partially offset by improved product mix (.10%), lower promotional spending (.09%), and higher patronage dividends (.08%).

Gross profit as a percentage of sales decreased .40% in fiscal 2013 compared to the prior year primarily due to decreased departmental gross margin percentages (.47%), partially offset by improved product mix (.06%). Gross margins declined in several departments primarily due to investments in lower prices to combat nontraditional competitors.

Operating and Administrative Expense

Operating and administrative expense as a percentage of sales increased .90% in fiscal 2014 compared to the prior year primarily due to a charge for future lease obligations resulting from the closures of the Morris Plains and Union stores (.29%), higher payroll (.19%), healthcare (.14%) and repair and snow removal costs (.07%), increased legal and consulting fees (.09%) and pre-opening costs for the greater Morristown and Union replacement stores (.13%). These increases were partially offset by a reduction in non-union pension expense (.14%). Payroll costs increased due to efforts to enhance the customer experience and provide additional services, including the addition and expansion of ShopRite from Home in several stores and our Village Food Garden at the greater Morristown and Union replacement stores and the remodeled Livingston store. In addition, the prior fiscal year included a charge from the settlement of a dispute with a landlord (.04%) and income from settlement of the national credit card lawsuit (.08%).

Operating and administrative expense as a percentage of sales increased .53% in fiscal 2013 compared to the prior year primarily due to higher payroll (.15%) and fringe benefit (.27%) costs, a charge from settlement of a dispute with a landlord (.04%), and the prior fiscal year included a favorable settlement of a pension withdrawal liability (.04%). These increases were partially offset by income from settlement of the national credit card lawsuit (.08%) in the current fiscal year. Payroll costs increased due to efforts to enhance the customer experience and provide additional services, including our first Village Food Garden at the remodeled Livingston store and the addition of ShopRite from Home in several stores. Fringe benefit costs increased due to higher costs for health, pension and workers compensation.

Depreciation and Amortization

Depreciation and amortization expense was $22,274, $20,354 and $19,759 in fiscal 2014, 2013 and 2012, respectively. Depreciation and amortization expense increased in fiscal 2014 and 2013 compared to the prior years due to depreciation related to fixed asset additions.

Income from Partnerships

Income from partnerships of $1,450 in fiscal 2013 are distributions received from two partnerships that exceeded the invested amounts. The Company's partnership interests resulted from its leasing of supermarkets in two shopping centers. The Company remains a tenant in one of these shopping centers.

Interest Expense

Interest expense was $3,602, $3,771 and $4,415, in fiscal 2014, 2013 and 2012, respectively. Interest expense decreased in fiscal 2014 and 2013 compared to fiscal 2012 due to interest costs capitalized in fiscal 2014 and 2013, and interest incurred on a pension withdrawal liability included in fiscal 2012.

Interest Income

Interest income was $2,622, $2,783 and $2,571 in fiscal 2014, 2013 and 2012, respectively.

Income Taxes

The Company's effective income tax rate was 82.5%, 42.2% and 41.5% in fiscal 2014, 2013 and 2012, respectively.

As described in Note 5 to the Consolidated Financial Statements, income taxes in fiscal 2014 includes a $10,052 charge related to tax positions taken in prior years as a result of the unfavorable ruling by the New Jersey Tax Court. Excluding this charge, the effective tax rate was 47.6% in fiscal 2014 compared to 42.2% in the prior year. The increase in the effective tax rate is due to the impact of New Jersey Tax Court decision including increased accrued interest and penalties in the current year.

Net Income

Net income was $5,045 in fiscal 2014 compared to $25,784 in fiscal 2013. Fiscal 2014 includes a $11,608 increase to income tax expense as a result of the unfavorable ruling by the New Jersey Tax Court, a charge for future lease obligations due to the closure of the Morris Plains and Union stores of $2,551 (net of tax) and pre-opening costs for the replacement stores in greater Morristown and Union of $1,141 (net of tax), while fiscal 2013 includes income from the national credit card lawsuit of $693 (net of tax), income from a partnership distribution of $840 (net of tax) and a charge for the settlement of a landlord dispute of $376 (net of tax). Excluding these items from both fiscal years, net income in fiscal 2014 declined 17% compared to the prior year primarily due to flat same store sales, higher operating expenses as a percentage of sales, and higher depreciation expense.

Net income was $25,784 in fiscal 2013 compared to $31,445 in fiscal 2012. Fiscal 2013 includes income from partnership distributions of $840 (net of tax), income from the national credit card lawsuit of $693 (net of tax) and a charge for the settlement of a landlord dispute of $376 (net of tax), while fiscal 2012 includes a favorable settlement of a pension withdrawal liability of $374 (net of tax). Excluding these items from both fiscal years, net income in fiscal 2013 declined 21% compared to the prior year primarily due to lower gross profit percentages and higher operating expenses as a percentage of sales, partially offset by reduced losses in the two Maryland stores compared to the prior year, which was their initial year of operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(continued)

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 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.

Impairment

The Company reviews the carrying values of its long-lived assets, such as property, equipment and fixtures for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Such review analyzes the undiscounted estimated future cash flows from asset groups at the store level to determine if the carrying value of such assets are recoverable from their respective cash flows. If impairment is indicated, it is measured by comparing the fair value of the long-lived asset groups held for use to their carrying value.

Goodwill is tested for impairment at the end of each fiscal year, or more frequently if circumstances dictate. The Company utilizes valuation techniques, such as earnings multiples, in addition to the Company's market capitalization to assess goodwill for impairment. Calculating the fair value of a reporting unit requires the use of estimates. Management believes the fair value of Village's one reporting unit exceeds its carrying value at July 26, 2014. Should the Company's carrying value of its one reporting unit exceed its fair value, the amount of any resulting goodwill impairment may be material to the Company's financial position and results of operations.

Patronage Dividends

As a stockholder of Wakefern, Village earns a share of Wakefern's earnings, which are distributed as a "patronage dividend" (see Note 3). This dividend is based on a distribution of substantially all of Wakefern's operating profits for its fiscal year (which ends September 30) in proportion to the dollar volume of purchases by each member from Wakefern during that fiscal year. Patronage dividends are recorded as a reduction of cost of sales as merchandise is sold. Village accrues estimated patronage dividends due from Wakefern quarterly based on an estimate of the annual Wakefern patronage dividend and an estimate of Village's share of this annual dividend based on Village's estimated proportional share of the dollar volume of business transacted with Wakefern that year. The amount of patronage dividends receivable based on these estimates were $12,923 and $11,810 at July 26, 2014 and July 27, 2013, respectively.

Pension Plans

The determination of the Company's obligation and expense for Company-sponsored pension plans is dependent, in part, on Village's selection of assumptions used by actuaries in calculating those amounts. These assumptions are described in Note 8 and include, among others, the discount rate, the expected long-term rate of return on plan assets and the rate of increase in compensation costs. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense in future periods. While management believes that its assumptions are appropriate, significant differences in actual experience or significant changes in the Company's assumptions may materially affect cash flows, pension obligations and future expense.

The objective of the discount rate assumption is to reflect the rate at which the Company's pension obligations could be effectively settled based on the expected timing and amounts of benefits payable to participants under the plans. Our methodology for selecting the discount rate as of July 26, 2014 was to match the plans cash flows to that of a yield curve on high-quality fixed-income investments. Based on this method, we utilized a weighted-average discount rate of 3.95% at July 26, 2014 compared to 4.43% at July 27, 2013. The .48% decrease in the discount rate, and a change in the mortality table utilized, increased the projected benefit obligation at July 26, 2014 by approximately $6,337. Village evaluated the expected long-term rate of return on plan assets of 7.5% and the expected increase in compensation costs of 4 to 4.5% and concluded no changes in these assumptions were necessary in estimating pension plan obligations and expense.

Sensitivity to changes in the major assumptions used in the calculation of the Company's pension plans is as follows:

	Percentage point change	Projected benefit obligation decrease	Projected benefit obligation (increase)	Expense decrease	Expense (increase)
Discount rate	+ / - 1.0%	$10,214	$(12,844)	$403	$(482)
Expected return on assets	+ / - 1.0%	—		$425	$(425)

Village contributed $3,320 and $3,254 in fiscal 2014 and 2013, respectively, to these Company-sponsored pension plans. Village expects to contribute $6,000 in fiscal 2015 to these plans. The 2014 and 2013 contributions are substantially all voluntary contributions.

The Company also contributes to several multi-employer pension plans based on obligations arising from collective bargaining agreements. These plans provide retirement benefits to participants based on their service to contributing employers. We recognize expense in connection with these plans as contributions are funded.

Uncertain Tax Positions

The Company is subject to periodic audits by various taxing authorities. These audits may challenge certain of the Company's tax positions such as the timing and amount of deductions and the allocation of income to various tax jurisdictions. Accounting for these uncertain tax positions requires significant management judgment. Actual results could materially differ from these estimates and could significantly affect the effective tax rate and cash flows in future years.

As discussed in note 5 of the accompanying notes to the consolidated financial statements, the Company is currently in the process of appealing an unfavorable decision by the New Jersey Tax Court regarding tax assessments received from the state of New Jersey. As a result of the decision, we have increased our accrued tax liability to reflect the estimated total tax, interest and penalties due if the Company is unable to overturn the Court's decision upon appeal. A favorable resolution would result in a material reduction in gross unrecognized tax benefits and related accrued interest and penalties.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(continued)

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently assessing the potential impact of ASU No. 2014-09 on its financial statements.

LIQUIDITY and CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities was $52,447 in fiscal 2014 compared to $51,273 in the corresponding period of the prior year.

During fiscal 2014, Village used cash to fund capital expenditures of $50,322, dividends of $12,432 and invested an additional $18,177 in notes receivable from Wakefern. Capital expenditures include the construction of two replacement stores.

Net cash provided by operating activities was $51,273 in fiscal 2013 compared to $43,432 in the corresponding period of the prior year. This increase is primarily attributable to the prior year including a settlement of a $7,028 pension liability and changes in the timing of payables.

During fiscal 2013 Village used cash to fund capital expenditures of $21,888 and dividends of $24,048. Capital expenditures include substantial remodels of three stores and the site work and beginning of construction of a replacement store. Dividends paid include $12,009 of special dividends.

Liquidity and Debt

Working capital was $16,782, $94,299, and $71,672 at July 26, 2014, July 27, 2013 and July 28, 2012, respectively. The decrease in working capital in fiscal 2014 compared to prior year is due primarily to the $40,598 investment in long-term notes receivable, increased income tax liabilities as result of the New Jersey Tax Court decision and capital expenditures. Working capital ratios at the same dates were 1.11, 1.85, and 1.72 to one, respectively. The Company's working capital needs are reduced, since inventories are generally sold by the time payments to Wakefern and other suppliers are due.

Village has budgeted approximately $25,000 for capital expenditures in fiscal 2015. Planned expenditures include three major remodels and several smaller remodels. The Company's primary sources of liquidity in fiscal 2015 are expected to be cash and cash equivalents on hand at July 26, 2014 and operating cash flow generated in fiscal 2015.

On February 15, 2014, Village received $23,420 as prepayment of notes receivable due from Wakefern. These notes earned interest at a fixed rate of 7%. The Company invested the proceeds received and additional funds previously invested in demand deposits at Wakefern in variable rate notes receivable from Wakefern of $40,000 on February 15, 2014. Half of these notes earn interest at the prime rate plus .25% and mature in 3.5 years and half earn interest at the prime rate plus 1.25% and mature in 5 years. 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.

Village has an unsecured revolving credit agreement providing a maximum amount available for borrowing of $25,000. This loan agreement expires on December 31, 2015. The revolving credit line can be used for general corporate purposes. Indebtedness under this agreement bears interest at the prime rate, or at the Eurodollar rate, at the Company's option, plus applicable margins based on the Company's fixed charge coverage ratio. There were no amounts outstanding at July 26, 2014 or July 27, 2013 under this facility.

The revolving loan agreement contains covenants that, among other conditions, require a maximum liabilities to tangible net worth ratio, a minimum fixed charge coverage ratio and a positive net income. At July 26, 2014, the Company was in compliance with all terms and covenants of the revolving loan agreement. Under the above covenants, Village had approximately $106,152 of net worth available at July 26, 2014 for the payment of dividends.

During fiscal 2014, Village paid cash dividends of $12,432. Dividends in fiscal 2014 consist of $1.00 per Class A common share and $.65 per Class B common share.

During fiscal 2013, Village paid cash dividends of $24,048. Dividends in fiscal 2013 consist of $2.00 per Class A common share and $1.30 per Class B common share. These amounts include $12,009 of special dividends paid in December 2012, comprised of $1.00 per Class A common share and $0.65 per Class B common share.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(continued)

Contractual Obligations and Commitments

The table below presents significant contractual obligations of the Company at July 26, 2014:

	Payments due by fiscal period						
	2015	2016	2017	2018	2019	Thereafter	Total
Capital and financing leases (2)	$ 4,674	$ 4,875	$ 4,875	$ 4,959	$ 5,001	$ 69,964	$ 94,348
Operating leases (2)	10,411	9,265	6,845	6,282	5,076	47,740	85,619
Notes payable to Related Party	667	518	446	110	-	-	1,741
	$ 15,752	$ 14,658	$ 12,166	$ 11,351	$ 10,077	$ 117,704	$ 181,708

(1) In addition, the Company is obligated to purchase 85% of its primary merchandise requirements from Wakefern (see Note 3).

(2) The above amounts for capital, financing and operating leases include interest, but do not include certain obligations under these leases for other charges. These charges consisted of the following in fiscal 2014: Real estate taxes - $4,380; common area maintenance - $2,334; insurance - $107; and contingent rentals - $872.

(3) Pension plan funding requirements are excluded from the above table as estimated contribution amounts for future years are uncertain. Required future contributions will be determined by, among other factors, actual investment performance of plan assets, interest rates required to be used to calculate pension obligations, and changes in legislation. The Company expects to contribute $6,000 in fiscal 2015 to fund Company-sponsored defined benefit pension plans compared to actual contributions of $3,320 in fiscal 2014. The table also excludes contributions under various multi-employer pension plans, which totaled $5,113 in fiscal 2014.

(4) The amount of unrecognized tax benefits of $18,845 at July 26, 2014 has been excluded from this table because a reasonable estimate of the timing of future tax settlements cannot be determined.

Outlook

This annual report 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: economic conditions; uninsured losses; expected pension plan contributions; projected capital expenditures; expected dividend payments; 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 the 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 flat to an increase of 2% in fiscal 2015.
- We expect modest retail price inflation in fiscal 2015.
- We have budgeted $25,000 for capital expenditures in fiscal 2015. Planned expenditures include three major remodels and several smaller remodels.
- The Board's current intention is to continue to pay quarterly dividends in 2015 at the most recent rate of $.25 per Class A and $.1625 per Class B share.
- We believe cash flow from operations and other sources of liquidity will be adequate to meet anticipated requirements for working capital, capital expenditures and debt payments for the foreseeable future.
- We expect our effective income tax rate in fiscal 2015 to be 46.0% - 47.0%. Excluding interest and penalties related to unrecognized tax benefits, 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, 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 initially projected as we continue to build market share and brand awareness. If these trends continue, the performance of our Maryland stores may negatively impact the Company's results of operations.
- 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(continued)

- 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.
- We provide health benefits to a large number of our employees, primarily through multi-employer health plans. Effective January 1, 2015, the Patient Protection and Affordable Care Act will impose new mandates on employers that could significantly increase the number of employees receiving benefits and our required contributions to these multi-employer health plans. We are not able at this time to determine the impact of the law, as it will depend on many factors, including finalization of rules implementing the law, the number of additional employees that we will be required to provide health benefits and the number of eligible employees that enroll for medical benefits, which could be material to our results of operations.
- 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, including the disputes with the state of New Jersey described in note 5 of the accompanying notes to the consolidated financial statements.
- 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

The Company holds an investment in Wakefern, its principal supplier. Village purchases substantially all of its merchandise from Wakefern in accordance with the Wakefern Stockholder Agreement. As part of this agreement, Village is required to purchase certain amounts of Wakefern common stock. At July 26, 2014, the Company's indebtedness to Wakefern for the outstanding amount of this stock subscription was $1,741. The maximum per store investment, which is currently $850, increased by $25 in both fiscal 2014 and 2013, resulting in additional investments of $657 and $949, respectively. Wakefern distributes as a "patronage dividend" to each member a share of its earnings in proportion to the dollar volume of purchases by the member from Wakefern during the year. Wakefern provides the Company with support services in numerous areas including advertising, supplies, liability and property insurance, technology support and other store services. Additional information is provided in Note 3 to the consolidated financial statements.

On February 15, 2014, Village received $23,420 as prepayment of notes receivable due from Wakefern. These notes earned interest at a fixed rate of 7%. The Company invested the proceeds received and additional funds previously invested in demand deposits at Wakefern in variable rate notes receivable from Wakefern of $40,000 on February 15, 2014. Half of these notes earn interest at the prime rate plus .25% and mature in 3.5 years and half earn interest at the prime rate plus 1.25% and mature in 5 years. 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.

At July 26, 2014, Village had demand deposits invested at Wakefern in the amount of $52,891. These deposits earn overnight money market rates.

The Company subleases the Galloway and Vineland stores from Wakefern at combined current annual rents of $1,296. Both leases contain normal periodic rent increases and options to extend the lease.

The Company leases a supermarket from a realty firm 30% owned by certain officers of Village. The Company paid rent to related parties under this lease of $640, $640 and $640 in fiscal 2014, 2013 and 2012, respectively. This lease expires in fiscal 2016 with options to extend at increasing annual rents.

The Company has ownership interests in three real estate partnerships. Village paid aggregate rents to two of these partnerships for leased stores of approximately $1,008, $834 and $801 in fiscal years 2014, 2013 and 2012, respectively. In fiscal 2013, the Company recognized income from partnerships of $1,450 resulting from distributions received from two of these partnerships that exceeded the invested amounts.

Impact of Inflation and Changing Prices

Although the Company cannot accurately determine the precise effect of inflation or deflation on its operations, it estimates that product prices overall experienced slight inflation in fiscal 2014 and 2013. The Company recorded pre-tax LIFO benefits of $216 and $56 in fiscal 2014 and 2013, respectively, compared to a pre-tax LIFO charge of $601 in fiscal 2012. The Company calculates LIFO based on CPI indices published by the Department of Labor, which indicated weighted-average CPI changes of (0.6%), (0.1%) and 2.1%, in fiscal 2014, 2013 and 2012, respectively.

Market Risk

At July 26, 2014, the Company had demand deposits of $52,891 at Wakefern earning interest at overnight money market rates, which are exposed to the impact of interest rate changes.

On February 15, 2014, Village received $23,420 as prepayment of notes receivable due from Wakefern. These notes earned interest at a fixed rate of 7%. The Company invested the proceeds received and additional funds previously invested in demand deposits at Wakefern in variable rate notes receivable from Wakefern of $40,000 on February 15, 2014. Half of these notes earn interest at the prime rate plus .25% and mature in 3.5 years and half earn interest at the prime rate plus 1.25% and mature in 5 years. 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.

Consolidated Balance Sheets

(in thousands)

ASSETS	July 26, 2014	July 27, 2013
Current Assets		
Cash and cash equivalents	$ 77,352	$ 109,571
Merchandise inventories	44,694	41,515
Patronage dividend receivable	12,923	11,810
Note receivable from Wakefern	-	22,421
Other current assets	27,817	20,047
Total current assets	162,786	205,364
Note receivable from Wakefern	40,598	-
Property, equipment and fixtures, net	206,720	176,981
Investment in Wakefern	25,012	24,355
Goodwill	12,057	12,057
Other assets	10,239	8,655
Total assets	$ 457,412	$ 427,412
LIABILITIES and SHAREHOLDERS' EQUITY		
Current Liabilities		
Capital and financing lease obligations	$ 231	$ 10
Notes payable to Wakefern	667	600
Accounts payable to Wakefern	66,004	59,465
Accounts payable and accrued expenses	15,859	16,999
Accrued wages and benefits	18,856	14,710
Income taxes payable	44,387	19,281
Total current liabilities	146,004	111,065
Long-term Debt		
Capital and financing lease obligations	44,168	41,019
Notes payable to Wakefern	1,074	1,719
Total long-term debt	45,242	42,738
Pension liabilities	23,876	20,062
Other liabilities	9,154	8,987
Commitments and Contingencies (Notes 3, 4, 5, 6, 8 and 9)		
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 10,147 shares at July 26, 2014 and 9,440 shares at July 27, 2013	47,056	44,543
Class B common stock, no par value: Authorized 20,000 shares; issued and outstanding 4,361 shares at July 26, 2014 and 4,780 shares at July 27, 2013	708	776
Retained earnings	203,722	211,109
Accumulated other comprehensive loss	(12,465)	(8,467)
Less treasury stock, Class A, at cost (454 shares at July 26, 2014 and 375 shares at July 27, 2013)	(5,885)	(3,401)
Total shareholders' equity	233,136	244,560
Total liabilities and shareholders' equity	$ 457,412	$ 427,412

See notes to consolidated financial statements.

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Years ended		
	July 26, 2014	July 27, 2013	July 28, 2012
Sales	**$ 1,518,636**	$ 1,476,457	$ 1,422,243
Cost of sales	**1,110,138**	1,078,696	1,033,416
Gross profit	**408,498**	397,761	388,827
Operating and administrative expense	**356,396**	333,230	313,516
Depreciation and amortization	**22,274**	20,354	19,759
Operating income	**29,828**	44,177	55,552
Income from partnerships	**-**	1,450	-
Interest expense	**(3,602)**	(3,771)	(4,415)
Interest income	**2,622**	2,783	2,571
Income before income taxes	**28,848**	44,639	53,708
Income taxes	**23,803**	18,855	22,263
Net income	**$ 5,045**	$ 25,784	$ 31,445
Net income per share:			
Class A common stock:			
Basic	**$ 0.41**	$ 2.18	$ 2.74
Diluted	**$ 0.36**	$ 1.85	$ 2.28
Class B common stock:			
Basic	**$ 0.26**	$ 1.36	$ 1.78
Diluted	**$ 0.26**	$ 1.36	$ 1.77

Consolidated Statements of Comprehensive Income

(In thousands)

	Years ended		
	July 26, 2014	July 27, 2013	July 28, 2012
Net income	**$ 5,045**	$ 25,784	$ 31,445
Other comprehensive income (loss):			
Amortization of pension actuarial loss, net of tax (1)	**475**	1,309	780
Pension adjustment to funded status, net of tax (2)	**(4,473)**	5,698	(5,112)
Total other comprehensive income (loss)	**(3,998)**	7,007	(4,332)
Comprehensive income	**$ 1,047**	$ 32,791	$ 27,113

(1) Amounts are net of tax of $329, $872 and $519 for 2014, 2013 and 2012, respectively.

(2) Amounts are net of tax of $3,238, $3,800 and $3,429 for 2014, 2013 and 2012, respectively.

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(in thousands)

Years ended July 26, 2014, July 27, 2013 and July 28, 2012

	Class A Common Stock		Class B Common Stock		Retained Earnings	Accumulated other comprehensive income (loss)	Treasury Stock Class A		Total shareholders' equity
	Shares Issued	Amount	Shares Issued	Amount			Shares	Amount	
Balance, July 30, 2011	7,833	$ 35,385	6,376	$ 1,035	$ 187,686	$ (11,142)	530	$ (4,807)	$ 208,157
Net income	—	—	—	—	31,445	—	—	—	31,445
Other comprehensive loss, net of tax of $2,910	—	—	—	—	—	(4,332)	—	—	(4,332)
Dividends	—	—	—	—	(9,758)	—	—	—	(9,758)
Exercise of stock options	—	723	—	—	—	—	(69)	630	1,353
Treasury stock purchases	—	—	—	—	—	—	—	(9)	(9)
Share-based compensation expense	9	3,180	—	—	—	—	—	—	3,180
Excess tax benefits from exercise of stock options and restricted share vesting	—	275	—	—	—	—	—	—	275
Conversion of Class B shares to Class A shares	41	7	(41)	(7)	—	—	—	—	—
Balance, July 28, 2012	7,833	39,570	6,335	1,028	209,373	(15,474)	461	(4,186)	230,311
Net income	—	—	—	—	25,784	—	—	—	25,784
Other comprehensive income, net of tax of $4,672	—	—	—	—	—	7,007	—	—	7,007
Dividends	—	—	—	—	(24,048)	—	—	—	(24,048)
Exercise of stock options	—	957	—	—	—	—	(86)	785	1,742
Share-based compensation expense	2	3,222	—	—	—	—	—	—	3,222
Excess tax benefits from exercise of stock options and restricted share vesting	—	542	—	—	—	—	—	—	542
Conversion of Class B shares to Class A shares	1,555	252	(1,555)	(252)	—	—	—	—	—
Balance, July 27, 2013	9,440	44,543	4,780	776	211,109	(8,467)	375	(3,401)	244,560
Net income	**—**	**—**	**—**	**—**	**5,045**	**—**	**—**	**—**	**5,045**
Other comprehensive loss, net of tax of $2,909	**—**	**—**	**—**	**—**	**—**	**(3,998)**	**—**	**—**	**(3,998)**
Dividends	**—**	**—**	**—**	**—**	**(12,432)**	**—**	**—**	**—**	**(12,432)**
Exercise of stock options	**—**	**132**	**—**	**—**	**—**	**—**	**(9)**	**85**	**217**
Treasury stock purchases	**—**	**—**	**—**	**—**	**—**	**—**	**88**	**(2,569)**	**(2,569)**
Share-based compensation expense	**288**	**3,229**	**—**	**—**	**—**	**—**	**—**	**—**	**3,229**
Net tax deficit from exercise of stock options and restricted share vesting	**—**	**(916)**	**—**	**—**	**—**	**—**	**—**	**—**	**(916)**
Conversion of Class B shares to Class A shares	**419**	**68**	**(419)**	**(68)**	**—**	**—**	**—**	**—**	**—**
Balance, July 26, 2014	**10,147**	**$ 47,056**	**4,361**	**$ 708**	**$ 203,722**	**$ (12,465)**	**454**	**$ (5,885)**	**$ 233,136**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

	Years ended		
	July 26, 2014	July 27, 2013	July 28, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 5,045**	$ 25,784	$ 31,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**22,274**	20,354	19,759
Non-cash share-based compensation	**3,229**	3,222	3,180
Deferred taxes	**(8,048)**	(3,499)	1,089
Provision to value inventories at LIFO	**(216)**	(56)	601
Income from partnerships	**–**	(1,450)	–
Changes in assets and liabilities, net of effects of stores acquired:			
Merchandise inventories	**(2,963)**	(860)	(1,423)
Patronage dividend receivable	**(1,113)**	(1,036)	(1,756)
Accounts payable to Wakefern	**6,539**	4,024	32
Accounts payable and accrued expenses	**933**	(1,778)	643
Accrued wages and benefits	**4,146**	1,908	(6,415)
Income taxes payable	**24,144**	4,147	(2,745)
Other assets and liabilities	**(1,523)**	513	(978)
Net cash provided by operating activities	**52,447**	51,273	43,432
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	**(50,322)**	(21,888)	(16,729)
Investment in notes receivable from Wakefern	**(41,597)**	(1,503)	(1,406)
Maturity of notes receivable from Wakefern	**23,420**	–	–
Store acquisitions	**–**	–	(4,123)
Proceeds from partnerships	**–**	1,980	–
Net cash used in investing activities	**(68,499)**	(21,411)	(22,258)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of stock options	**217**	1,742	1,353
Excess tax benefit related to share-based compensation	**46**	542	275
Principal payments of long-term debt	**(1,429)**	(1,630)	(1,294)
Dividends	**(12,432)**	(24,048)	(9,758)
Treasury stock purchases	**(2,569)**	–	(9)
Net cash used in financing activities	**(16,167)**	(23,394)	(9,433)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(32,219)**	6,468	11,741
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**109,571**	103,103	91,362
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 77,352**	$ 109,571	$ 103,103
SUPPLEMENTAL DISCLOSURES OF CASH PAYMENTS MADE FOR:			
Interest	**$ 4,240**	$ 4,012	$ 4,116
Income taxes	**7,661**	17,665	23,076
NONCASH SUPPLEMENTAL DISCLOSURES:			
Investment in Wakefern	**$ –**	$ –	$ 323
Capital lease obligations	**3,525**	–	–

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(All amounts are in thousands, except per share data)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Village Super Market, Inc. (the "Company" or "Village") operates a chain of 29 ShopRite supermarkets in New Jersey, eastern Pennsylvania and Maryland. The Company is a member of Wakefern Food Corporation ("Wakefern"), the nation's largest retailer-owned food cooperative and owner of the ShopRite name. This relationship provides Village many of the economies of scale in purchasing, distribution, private label products, advanced retail technology, marketing and advertising associated with chains of greater size and geographic coverage.

Principles of consolidation

The consolidated financial statements include the accounts of Village Super Market, Inc. and its subsidiaries, which are wholly owned. Intercompany balances and transactions have been eliminated.

Fiscal year

The Company and its subsidiaries utilize a 52-53 week fiscal year ending on the last Saturday in the month of July. Fiscal 2014, 2013 and 2012 contain 52 weeks.

Industry segment

The Company consists of one operating segment, the retail sale of food and nonfood products.

Revenue recognition

Merchandise sales are recognized at the point of sale to the customer. Sales tax is excluded from revenue. Discounts provided to customers through ShopRite coupons and loyalty programs are recognized as a reduction of sales as the products are sold.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents are proceeds due from credit and debit card transactions, which typically settle within five business days, of $9,864 and $8,922 at July 26, 2014 and July 27, 2013, respectively. Included in cash and cash equivalents at July 26, 2014 and July 27, 2013 are $52,891 and $85,222, respectively, of demand deposits invested at Wakefern at overnight money market rates.

Merchandise inventories

Approximately 65% of merchandise inventories are stated at the lower of LIFO (last-in, first-out) cost or market. If the FIFO (first-in, first-out) method had been used, inventories would have been $14,570 and $14,786 higher than reported in fiscal 2014 and 2013, respectively. All other inventories are stated at the lower of FIFO cost or market.

Vendor allowances and rebates

The Company receives vendor allowances and rebates, including the patronage dividend and amounts received as a pass through from Wakefern, related to the Company's buying and merchandising activities. Vendor allowances and rebates are recognized as a reduction in cost of sales when the related merchandise is sold or when the required contractual terms are completed.

Property, equipment and fixtures

Property, equipment and fixtures are recorded at cost. Interest cost incurred to finance construction is capitalized as part of the cost of the asset. Maintenance and repairs are expensed as incurred.

Depreciation is provided on a straight-line basis over estimated useful lives of thirty years for buildings, ten years for store fixtures and equipment, and three years for vehicles. Leasehold improvements are amortized over the shorter of the related lease terms or the estimated useful lives of the related assets.

When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the consolidated financial statements.

Investments

The Company's investments in its principal supplier, Wakefern, and a Wakefern affiliate, Insure-Rite, Ltd., are stated at cost (see Note 3). Village evaluates its investments in Wakefern and Insure-Rite, Ltd. for impairment through consideration of previous, current and projected levels of profit of those entities.

The Company's 20%-50% investments in certain real estate partnerships are accounted for under the equity method. One of these partnerships is a variable interest entity which does not require consolidation as Village is not the primary beneficiary (see Note 6).

Store opening and closing costs

All store opening costs are expensed as incurred. The Company records a liability for the future minimum lease payments and related costs for closed stores from the date of closure to the end of the remaining lease term, net of estimated cost recoveries that may be achieved through subletting, discounted using a risk-adjusted interest rate.

Leases

Leases that meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the inception of the respective leases. Such assets are amortized on a straight- line basis over the shorter of the related lease terms or the estimated useful lives of the related assets. Amounts representing interest expense relating to the lease obligations are recorded to effect constant rates of interest over the terms of the leases. Leases that do not qualify as capital leases are classified as operating leases. The Company accounts for rent holidays, escalating rent provisions, and construction allowances on a straight-line basis over the term of the lease.

For leases in which the Company is involved with the construction of the store, if Village concludes that it has substantially all of the risks of ownership during construction of the leased property and therefore is deemed the owner of the project for accounting purposes, an asset and related financing obligation are recorded for the costs paid by the landlord. Once construction is complete, the Company considers the requirements for sale-leaseback treatment. If the arrangement does not qualify for sale-leaseback treatment, the Company amortizes the financing obligation and depreciates the building over the lease term.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $11,474, $11,018 and $10,952 in fiscal 2014, 2013 and 2012, respectively.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

The Company recognizes a tax benefit for uncertain tax positions if it is "more likely than not" that the position is sustainable, based on its technical merits. The

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement with a taxing authority having full knowledge of all relevant information.

Use of estimates

In conformity with U.S. generally accepted accounting principles, management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates are patronage dividends, pension accounting assumptions, share-based compensation assumptions, accounting for uncertain tax positions, accounting for contingencies and the impairment of long-lived assets and goodwill. Actual results could differ from those estimates.

Fair value

Fair value is defined as the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes a three-level hierarchy to prioritize the inputs used in measuring fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability.

Cash and cash equivalents, patronage dividends receivable, accounts payable and accrued expenses are reflected in the consolidated financial statements at carrying value, which approximates fair value because of the short-term maturity of these instruments. The carrying values of the Company's notes receivable from Wakefern approximate their fair value as interest is earned at variable market rates. As the Company's investments in Wakefern can only be sold to Wakefern at amounts that approximate the Company's cost, it is not practicable to estimate the fair value of such investments.

Long-lived assets

The Company reviews long-lived assets, such as property, equipment and fixtures on an individual store basis for impairment when circumstances indicate the carrying amount of an asset group may not be recoverable. Such review analyzes the undiscounted estimated future cash flows from such assets to determine if the carrying value of such assets are recoverable from their respective cash flows. If impairment is indicated, it is measured by comparing the fair value of the long-lived assets to their carrying value.

Goodwill

Goodwill is tested at the end of each fiscal year, or more frequently if circumstances dictate, for impairment. An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value. Village operates as a single reporting unit for purposes of evaluating goodwill for impairment and primarily considers earnings multiples and other valuation techniques to measure fair value, in addition to the value of the Company's stock.

Share-based compensation

All share-based payments to employees are recognized in the financial statements as compensation costs based on the fair market value on the date of the grant.

Benefit plans

The Company recognizes the funded status of its Company sponsored retirement plans on the consolidated balance sheet. Actuarial gains or losses, prior service costs or credits and transition obligations not previously recognized are recorded as a component of Accumulated Other Comprehensive Income (Loss).

The Company also contributes to several multi-employer pension plans under the terms of collective bargaining agreements that cover certain union-represented employees. Pension expense for these plans is recognized as contributions are made.

Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently assessing the potential impact of ASU No. 2014-09 on its financial statements.

Notes to Consolidated Financial Statements
(continued)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET INCOME 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 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 income per share for Class B common stock does not assume conversion of Class B common stock to shares of Class A common stock.

The tables below reconcile the numerators and denominators of basic and diluted net income per share for all periods presented.

	2014		2013		2012	
	Class A	**Class B**	Class A	Class B	Class A	Class B
Numerator:						
Net income allocated, basic	**$ 3,788**	**$ 1,141**	$ 18,089	$ 7,053	$ 19,314	$ 11,317
Conversion of Class B to Class A shares	**1,141**	**—**	7,053	—	11,317	—
Effect of share-based compensation on allocated net income	**(20)**	**(11)**	6	(5)	94	(54)
Net income allocated, diluted	**$ 4,909**	**$ 1,130**	$ 25,148	$ 7,048	$ 30,725	$ 11,263
Denominator:						
Weighted average shares outstanding, basic	**9,258**	**4,374**	8,297	5,197	7,045	6,358
Conversion of Class B to Class A shares	**4,374**	**—**	5,197	—	6,358	—
Dilutive effect of share-based compensation	**62**	**—**	112	—	81	—
Weighted average shares outstanding, diluted	**13,694**	**4,374**	13,606	5,197	13,484	6,358

Net income per share is as follows:

	2014		2013		2012	
	Class A	**Class B**	Class A	Class B	Class A	Class B
Basic	**$ 0.41**	**$ 0.26**	$ 2.18	$ 1.36	$ 2.74	$ 1.78
Diluted	**$ 0.36**	**$ 0.26**	$ 1.85	$ 1. 36	$ 2.28	$ 1.77

Outstanding stock options to purchase Class A shares of 540, 5 and 222 were excluded from the calculation of diluted net income per share at July 26, 2014, July 27, 2013 and July 28, 2012, respectively, as a result of their anti-dilutive effect. In addition, 288, 299 and 299 non-vested restricted Class A shares, which are considered participating securities, and their allocated net income were excluded from the diluted net income per share calculation at July 26, 2014, July 27, 2013 and July 28, 2012, respectively, due to their anti-dilutive effect.

NOTE 2 — PROPERTY, EQUIPMENT AND FIXTURES

Property, equipment and fixtures are comprised as follows:

	July 26, 2014	July 27, 2013
Land and buildings	$ 103,043	$ 78,786
Store fixtures and equipment	214,091	190,957
Leasehold improvements	89,409	82,523
Leased property under capital leases	25,211	21,686
Construction in progress	121	12,231
Vehicles	3,031	2,581
Total property, equipment and fixtures	434,906	388,764
Accumulated depreciation	(222,784)	(207,161)
Accumulated amortization of property under capital leases	(5,402)	(4,622)
Property, equipment and fixtures, net	$ 206,720	$ 176,981

Amortization of leased property under capital and financing leases is included in depreciation and amortization expense.

NOTE 3 — RELATED PARTY INFORMATION - WAKEFERN

The Company's ownership interest in its principal supplier, Wakefern, which is operated on a cooperative basis for its stockholder members, is 13.7% of the outstanding shares of Wakefern at July 26, 2014. The investment is pledged as collateral for any obligations to Wakefern. In addition, all obligations to Wakefern are personally guaranteed by certain shareholders of Village.

The Company is obligated to purchase 85% of its primary merchandise requirements from Wakefern until ten years from the date that stockholders representing 75% of Wakefern sales notify Wakefern that those stockholders request that the Wakefern Stockholder Agreement be terminated. If this purchase obligation is not met, Village is required to pay Wakefern's profit contribution shortfall attributable to this failure. Similar payments are due if Wakefern loses volume by reason of the sale of Company stores or a merger with another entity. Village fulfilled the above obligation in fiscal 2014, 2013 and 2012. The Company also has an investment of approximately 8.3% in Insure-Rite, Ltd., a Wakefern affiliated company, that provides Village with liability and property insurance coverage.

Wakefern has increased from time to time the required investment in its common stock for each supermarket owned by a member, with the exact amount per store computed based on the amount of each store's purchases from Wakefern. At July 26, 2014, the Company's indebtedness to Wakefern for the outstanding amount of these stock subscriptions was $1,741. Installment payments are due as follows: 2015 - $667; 2016 - $518; 2017 - $446; 2018 - $110 and none thereafter. The maximum per store investment, which is currently $850, increased by $25 in both fiscal 2014 and 2013, resulting in additional investments of $657 and $949, respectively. Village receives additional shares of common stock to the extent paid for at the end of each fiscal year (September 30) of Wakefern calculated at the then book value of such shares. The payments, together with any stock issued thereunder, at the option of Wakefern, may be null and void and all payments on this subscription shall become the property of Wakefern in the event the Company does not complete the payment of this subscription in a timely manner.

Village purchases substantially all of its merchandise from Wakefern. Wakefern distributes as a "patronage dividend" to each member a share of substantially all of its earnings in proportion to the dollar volume of purchases by the member from Wakefern during the year. Patronage dividends and other vendor allowances and rebates amounted to $26,438, $24,779 and $23,953 in fiscal 2014, 2013 and 2012, respectively.

Wakefern provides the Company with support services in numerous areas including advertising, supplies, liability and property insurance, technology support and other store services. Village incurred charges of $32,808, $29,973 and $27,991, from Wakefern in fiscal 2014, 2013 and 2012, respectively, for these services, which are reflected in operating and administrative expense in the consolidated statements of operations. Additionally, the Company has certain related party leases (see Note 6) with Wakefern.

On February 15, 2014, Village received $23,420 as prepayment of notes receivable due from Wakefern. These notes earned interest at a fixed rate of 7%. The Company invested the proceeds received and additional funds previously invested in demand deposits at Wakefern in variable rate notes receivable from Wakefern of $40,000 on February 15, 2014. Half of these notes earn interest at the prime rate plus .25% and mature in 3.5 years and half earn interest at the prime rate plus 1.25% and mature in 5 years. 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.

At July 26, 2014, the Company had demand deposits invested at Wakefern in the amount of $52,891. These deposits earn overnight money market rates.

Interest income earned on investments with Wakefern was $2,622, $2,783 and $2,571, in fiscal 2014, 2013 and 2012, respectively.

Notes to Consolidated Financial Statements
(continued)

NOTE 4 — DEBT

Village has an unsecured revolving credit agreement providing a maximum amount available for borrowing of $25,000. This loan agreement expires on December 31, 2015. The revolving credit line can be used for general corporate purposes. Indebtedness under this agreement bears interest at the prime rate, or at the Eurodollar rate, at the Company's option, plus applicable margins based on the Company's fixed charge coverage ratio. There were no amounts outstanding at July 26, 2014 or July 27, 2013 under this facility.

The revolving loan agreement provides for up to $3,000 of letters of credit ($2,590 outstanding at July 26, 2014), which secure obligations for construction performance guarantees to municipalities.

The revolving loan agreement contains covenants that, among other conditions, require a maximum liabilities to tangible net worth ratio, a minimum fixed charge coverage ratio and a positive net income. At July 26, 2014, the Company was in compliance with all covenants of the revolving loan agreement. Under the above covenants, Village had approximately $106,152 of net worth available at July 26, 2014 for the payment of dividends.

NOTE 5 — INCOME TAXES

The components of the provision for income taxes are:

	2014	2013	2012
Federal:			
Current	**$ 10,808**	$ 17,215	$ 16,009
Deferred	**(6,938)**	(3,021)	931
State:			
Current	**21,043**	5,139	5,165
Deferred	**(1,110)**	(478)	158
	$ 23,803	$ 18,855	$ 22,263

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	July 26, 2014	July 27, 2013
Deferred tax assets:		
Leasing activities	**$ 7,814**	$ 5,747
Federal benefit of uncertain tax positions	**14,816**	8,028
Compensation related costs	**4,000**	6,256
Pension costs	**8,553**	5,644
Other	**3,189**	1,868
Total deferred tax assets	**38,372**	27,543
Deferred tax liabilities:		
Tax over book depreciation	**17,214**	17,352
Patronage dividend receivable	**5,223**	4,903
Investment in partnerships	**1,423**	1,411
Other	**170**	491
Total deferred tax liabilities	**24,030**	24,157
Net deferred tax asset	**$ 14,342**	$ 3,386

Notes to Consolidated Financial Statements
(continued)

NOTE 5 —INCOME TAXES (continued)

Deferred income tax assets (liabilities) are included in the following captions on the consolidated balance sheets at July 26, 2014 and July 27, 2013:

	2014	2013
Other current assets	**$12,077**	$5,053
Other assets	**3,037**	1,211
Accounts payable and accrued expenses	**(772)**	(838)
Other liabilities	**–**	(2,040)

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In management's opinion, in view of the Company's previous, current and projected taxable income and reversal of deferred tax liabilities, such tax assets will more likely than not be fully realized. Accordingly, no valuation allowance was deemed to be required at July 26, 2014 and July 27, 2013.

The effective income tax rate differs from the statutory federal income tax rate as follows:

	2014	2013	2012
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**6.4**	5.2	5.3
Unrecognized tax benefits, interest and penalties on prior year tax positions	**34.9**	–	–
Current year interest and penalties on unrecognized tax benefits	**5.4**	1.6	1.1
Other	**0.8**	0.4	0.1
Effective income tax rate	**82.5%**	42.2%	41.5%

An examination of the Company's fiscal 2009 federal tax return was completed in fiscal 2011 with no change. 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 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 New Jersey Division of Taxation. The Company is currently in the process of appealing the court's decision. No payments with respect to these matters are required until the dispute is definitively resolved.

The Company recorded a $10,052 charge to income tax expense in fiscal 2014, which includes a $4,933 (net of federal benefit of $2,656) increase in unrecognized tax benefits and $5,119 (net of federal benefit of $2,078) of related interest and penalties for tax positions taken in prior years. This charge increased our beginning of year accrued tax liability to reflect the estimated total tax, interest and penalties due if the Company is unable to overturn the Court's decision upon appeal. It is reasonably possible that this matter will be resolved within the next twelve months. A favorable resolution could result in a reduction in gross unrecognized tax benefits of up to $28,993.

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

	2014	2013
Balance at beginning of year	**$ 17,640**	$ 14,895
Additions based on tax positions related to prior periods	**7,589**	–
Additions based on tax positions related to the current year	**3,764**	2,745
Balance at end of year	**$ 28,993**	$ 17,640

Unrecognized tax benefits at July 26, 2014 and July 27, 2013 include tax positions of $18,845 and $11,466 (net of federal benefit), respectively, that would reduce the Company's effective income tax rate, if recognized in future periods.

The Company recognizes interest and penalties on income taxes in income tax expense. The Company recognized $10,287, $1,211 and $1,008, related to interest and penalties on income taxes in fiscal 2014, 2013 and 2012, respectively. The amount of accrued interest and penalties included in the consolidated balance sheet was $16,107 and $5,820 at July 26, 2014 and July 27, 2013, respectively.

Notes to Consolidated Financial Statements
(continued)

NOTE 6 — LEASES

Description of leasing arrangements

The Company leased 23 stores at July 26, 2014, including five that are capitalized for financial reporting purposes. The majority of initial lease terms range from 20 to 30 years.

Most of the Company's leases contain renewal options at increased rents of five years each. These options enable Village to retain the use of facilities in desirable operating areas. Management expects that in the normal course of business, most leases will be renewed or replaced by other leases. The Company is obligated under all leases to pay for real estate taxes, utilities and liability insurance, and under certain leases to pay additional amounts based on maintenance and a percentage of sales in excess of stipulated amounts.

Future minimum lease payments by year and in the aggregate for all non-cancelable leases with initial terms of one year or more consist of the following at July 26, 2014:

	Capital and financing leases	Operating leases
2015	$ 4,674	$ 10,411
2016	4,875	9,265
2017	4,875	6,845
2018	4,959	6,282
2019	5,001	5,076
Thereafter	69,964	47,740
Minimum lease payments	94,348	$ 85,619
Less amount representing interest	49,949	
Present value of minimum lease payments	44,399	
Less current portion	231	
	$ 44,168	

The following schedule shows the composition of total rental expense for the following years:

	2014	2013	2012
Minimum rentals	**$ 11,308**	$ 11,192	$ 10,625
Contingent rentals	**872**	960	882
	$ 12,180	$ 12,152	$ 11,507

On November 6, 2013, the Company closed the Morris Plains, New Jersey store and opened a 77,000 sq. ft. replacement store in Hanover Township, New Jersey. The Company recorded a $3,481 charge to Operating and administrative expense in fiscal 2014 for the remaining lease obligations, net of estimated sublease rentals, on the Morris Plains store. As of July 26, 2014, $710 of these costs have been paid, with a remaining liability of $2,771.

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 Company recorded a $929 charge to Operating and administrative expense in fiscal 2014 for the remaining lease obligations, net of estimated sublease rentals, on the old Union store. As of July 26, 2014, $132 of these costs have been paid, with a remaining liability of $797.

Related party leases

The Company leases a supermarket from a realty firm 30% owned by certain officers of Village. The Company paid rent to related parties under this lease of $640, $640 and $640 in fiscal 2014, 2013 and 2012, respectively. This lease expires in fiscal 2016 with options to extend at increasing annual rents.

The Company has ownership interests in three real estate partnerships. Village paid aggregate rents to two of these partnerships for leased stores of $1,008, $834 and $801 in fiscal 2014, 2013 and 2012, respectively. In November 2012, the Company received $1,980 in cash distributions from two partnerships. Income from partnerships in fiscal 2013 of $1,450 represents proceeds received in excess of invested amounts.

One of these partnerships is a variable interest entity, which is not consolidated as Village is not the primary beneficiary. This partnership owns one property, a stand-alone supermarket leased to the Company since 1974. Village is a general partner entitled to 33% of the partnerships profits and losses.

The Company subleases the Galloway and Vineland stores from Wakefern under sublease agreements which provide for combined annual rent of $1,296. Both leases contain normal periodic rent increases and options to extend the lease.

Notes to Consolidated Financial Statements
(continued)

NOTE 7 — SHAREHOLDERS' EQUITY

The Company has two classes of common stock. Class A common stock is entitled to one vote per share and to cash dividends as declared 54% greater than those paid on Class B common stock. Class B common stock is entitled to 10 votes per share. Class A and Class B common stock share equally on a per share basis in any distributions in liquidation. Shares of Class B common stock are convertible on a share-for-share basis for Class A common stock at any time. Class B common stock is not transferable except to another holder of Class B common stock or by will or under the laws of intestacy or pursuant to a resolution of the Board of Directors of the Company approving the transfer. As a result of this voting structure, the holders of the Class B common stock control greater than 50% of the total voting power of the shareholders of the Company and control the election of the Board of Directors.

The Company has authorized 10,000 shares of preferred stock. No shares have been issued. The Board of Directors is authorized to designate series, preferences, powers and participations of any preferred stock issued.

Village has three share-based compensation plans, which are described below. The compensation cost charged against income for these plans was $3,229, $3,222 and $3,180 in fiscal 2014, 2013 and 2012, respectively. Total income tax benefit recognized in the consolidated statements of operations for share-based compensation arrangements was $1,148, $1,140 and $1,126 in fiscal 2014, 2013 and 2012, respectively.

The 1997 Incentive and Non-Statutory Stock Option Plan (the "1997 Plan") provided for the granting of options to purchase up to 1,000 shares of the Company's Class A common stock by officers, employees and directors of the Company as designated by the Board of Directors. The Plan requires incentive stock options to be granted at exercise prices equal to the fair value of Village's stock at the date of grant (110% if the optionee holds more than 10% of the voting stock of the Company), while nonqualified options may be granted at an exercise price less than fair value. All options granted under this plan were at fair value, vest over a one-year service period and are exercisable up to ten years from the date of grant. There are no shares remaining for future grants under the 1997 Plan.

The Village Super Market, Inc. 2004 Stock Plan (the "2004 Plan") provides for awards of incentive and nonqualified stock options and restricted stock. There are 1,200 shares of Class A common stock authorized for issuance to employees and directors under the 2004 Plan. Terms and conditions of awards are determined by the Board of Directors. Option awards are primarily granted at the fair value of the Company's stock at the date of grant, cliff vest three years from the grant date and are exercisable up to ten years from the date of grant. Restricted stock awards primarily cliff vest three years from the grant date. There are no shares remaining for future grants under the 2004 Plan.

On December 17, 2010, the shareholders of the Company approved the Village Super Market, Inc. 2010 Stock Plan (the "2010 Plan") under which awards of incentive and non-qualified stock options and restricted stock may be made. There are 1,200 shares of Class A common stock authorized for issuance to employees and directors under the 2010 Plan. Terms and conditions of awards are determined by the Board of Directors. Option awards granted to date were granted at the fair value of the Company stock on the date of grant, primarily cliff vest three years from the grant date and are exercisable up to ten years from the grant date. Restricted stock awards primarily cliff vest three years from the date of grant.

The following table summarizes option activity under all plans for the following years:

	2014		2013		2012	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of year	**380**	**$ 24.91**	474	$ 24.03	555	$ 23.34
Granted	**224**	**28.83**	8	33.91	–	–
Exercised	**(9)**	**23.23**	(86)	20.19	(69)	19.50
Forfeited	**(4)**	**27.51**	(16)	28.86	(12)	18.40
Outstanding at end of year	**591**	**$ 26.41**	380	$ 24.91	474	$ 24.03
Options exercisable at end of year	**365**	**$ 24.89**	169	$ 21.50	234	$ 20.48

As of July 26, 2014, the weighted-average remaining contractual term of options outstanding and options exercisable was 6.8 years and 5.1 years, respectively. As of July 26, 2014, the aggregate intrinsic value of both options outstanding and options exercisable was $581. The weighted-average grant date fair value of options granted was $6.41 and $7.30 per share in fiscal 2014 and 2013, respectively. The total intrinsic value of options exercised was $113, $1,344 and $685 in fiscal 2014, 2013 and 2012, respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing Model using the weighted-average assumptions in the following table. The Company uses historical data for similar groups of employees in order to estimate the expected life of options granted. Expected volatility is based on the historical volatility of the Company's stock for a period of years corresponding to the expected life of the option. The risk free interest rate is based on the U.S. Treasury yield curve at the time of grant for securities with a maturity period similar to the expected life of the option.

	2014	2013
Expected life (years)	**6.0**	5.0
Expected volatility	**32.2%**	33.3%
Expected dividend yield	**3.5%**	3.0%
Risk-free interest rate	**1.9%**	0.8%

Notes to Consolidated Financial Statements
(continued)

NOTE 7 — SHAREHOLDERS' EQUITY (continued)

The following table summarizes restricted stock activity under the 2004 and 2010 Plans for fiscal 2014, 2013 and 2012:

	2014		2013		2012	
	Shares	**Weighted-average grant date fair value**	Shares	Weighted-average grant date fair value	Shares	Weighted-average grant date fair value
Nonvested at beginning of year	**299**	**$ 27.60**	299	$ 27.57	293	$ 27.56
Granted	**288**	**28.83**	2	33.73	9	29.46
Vested	**(299)**	**27.60**	(2)	28.25	(3)	32.25
Forfeited	**—**	**—**	—	—	—	—
Nonvested at end of year	**288**	**$ 28.83**	299	$ 27.60	299	$ 27.57

The total fair value of restricted shares vested during fiscal 2014, 2013 and 2012 was $8,663, $60 and $89, respectively. As of July 26, 2014, there was $8,562 of total unrecognized compensation costs related to nonvested stock options and restricted stock granted under the above plans. That cost is expected to be recognized over a weighted-average period of 2.6 years.

Cash received from option exercises under all share-based compensation arrangements was $217, $1,742 and $1,353 in fiscal 2014, 2013 and 2012, respectively. The actual tax benefit realized for tax deductions from option exercises under share-based compensation arrangements was $46, $537 and $280 in fiscal 2014, 2013 and 2012, respectively.

The Company declared and paid cash dividends on common stock as follows:

	2014	2013	2012
Per share:			
Class A common stock	**$ 1.000**	$ 2.000	$ 0.850
Class B common stock	**0.650**	1.300	0.553
Aggregate:			
Class A common stock	**$ 9,598**	$ 17,486	$ 6,247
Class B common stock	**2,834**	6,562	3,511
	$ 12,432	$ 24,048	$ 9,758

Dividends paid in fiscal 2013 include special dividends totaling $12,009 paid in the second quarter, comprised of $1.00 per Class A common share and $.65 per Class B common share.

Notes to Consolidated Financial Statements
(continued)

NOTE 8 — PENSION PLANS

Company-Sponsored Pension Plans

The Company sponsors four defined benefit pension plans. Two are tax-qualified plans covering members of unions. Benefits under these two plans are based on a fixed amount for each year of service. One is a tax-qualified plan covering nonunion associates. Benefits under this plan are based upon percentages of annual compensation. Funding for these plans is based on an analysis of the specific requirements and an evaluation of the assets and liabilities of each plan. The fourth plan is an unfunded, nonqualified plan providing supplemental pension benefits to certain executives. The Company uses its fiscal year-end date as the measurement date for these plans.

Net periodic pension cost for the four plans include the following components:

	2014	2013	2012
Service cost	**$2,926**	$3,279	$2,694
Interest cost on projected benefit obligation	**2,775**	2,479	2,701
Expected return on plan assets	**(3,194)**	(2,706)	(2,538)
Amortization of gains and losses	**804**	2,173	1,371
Amortization of prior service costs	**–**	8	8
Net periodic pension cost	**$3,311**	$5,233	$4,236

The changes in benefit obligations and the reconciliation of the funded status of the Company's plans to the consolidated balance sheets were as follows:

	2014	2013
Changes in Benefit Obligation:		
Benefit obligation at beginning of year	**$ 63,644**	$ 67,179
Service cost	**2,926**	3,279
Interest cost	**2,775**	2,479
Benefits paid	**(1,445)**	(2,422)
Actuarial (gain) loss	**9,190**	(6,871)
Benefit obligation at end of year	**$ 77,090**	$ 63,644
Changes in Plan Assets:		
Fair value of plan assets at beginning of year	**$ 43,582**	$ 37,416
Actual return on plan assets	**4,672**	5,334
Employer contributions	**3,320**	3,254
Benefits paid	**(1,445)**	(2,422)
Fair value of plan assets at end of year	**50,129**	43,582
Funded status at end of year	**$ (26,961)**	$ (20,062)
Amounts recognized in the consolidated balance sheets:		
Accrued wages and benefits	**$ (3,085)**	$ –
Pension liabilities	**(23,876)**	(20,062)
Accumulated other comprehensive loss, net of income taxes	**12,465**	8,467
Amounts included in Accumulated other comprehensive loss (pre-tax):		
Net actuarial loss	**$ 21,018**	$ 14,111

The Company expects approximately $1,295 of the net actuarial loss to be recognized as a component of net periodic benefit costs in fiscal 2015.

Notes to Consolidated Financial Statements
(continued)

NOTE 8 — PENSION PLANS (continued)

The accumulated benefit obligations of the four plans were $63,971 and $53,034 at July 26, 2014 and July 27, 2013, respectively. The following information is presented for those plans with an accumulated benefit obligation in excess of plan assets:

	2014	2013
Projected benefit obligation	**$77,090**	$14,943
Accumulated benefit obligation	**63,971**	14,943
Fair value of plan assets	**50,129**	3,695

Weighted average assumptions used to determine benefit obligations and net periodic pension cost for the Company's defined benefit plans were as follows:

	2014	2013	2012
Assumed discount rate — net periodic pension cost	**4.43%**	3.59%	4.99%
Assumed discount rate — benefit obligation	**3.95%**	4.43%	3.59%
Assumed rate of increase in compensation levels	**4 - 4.5%**	4 - 4.5%	4 - 4.5%
Expected rate of return on plan assets	**7.50%**	7.50%	7.50%

Investments in the pension trusts are overseen by the trustees of the plans, who are officers of Village. The Company's overall investment strategy is to maintain a broadly diversified portfolio of stocks, bonds and money market instruments that, along with periodic plan contributions, provide the necessary funds for ongoing benefit obligations. Expected rates of return on plan assets are developed by determining projected stock and bond returns and then applying these returns to the target asset allocations of the trusts, resulting in a weighted-average rate of return on plan assets. Equity returns were based primarily on historical returns of the S&P 500 Index. Fixed-income projected returns were based primarily on historical returns for the broad U.S. bond market. The target allocations for plan assets are 50-70% equity securities, 25-40% fixed income securities and 0-10% cash. Asset allocations are reviewed periodically and appropriate rebalancing is performed.

Equity securities include investments in large-cap, small-cap and mid-cap companies located both in and outside the United States. Fixed income securities include U.S. treasuries, mortgage-backed securities and corporate bonds of companies from diversified industries. Investments in securities are made both directly and through mutual funds. In addition, one plan held Class A common stock of Village in the amount of $541 and $837 at July 26, 2014 and July 27, 2013, respectively.

Risk management is accomplished through diversification across asset classes and fund strategies, multiple investment portfolios and investment guidelines. The plans do not allow for investments in derivative instruments.

The fair value of the pension assets were as follows:

	July 26, 2014			July 27, 2013		
Asset Category	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	**$ 812**	**$ –**	**$ 812**	$ 1,747	$ –	$ 1,747
Equity securities:						
Company stock	**541**	**–**	**541**	837	–	837
U.S. large cap (1)	**17,095**	**–**	**17,095**	16,385	–	16,385
U.S. small/mid cap (2)	**5,916**	**–**	**5,916**	6,762	–	6,762
International (3)	**6,963**	**–**	**6,963**	4,580	–	4,580
Emerging markets (4)	**1,267**	**–**	**1,267**	1,074	–	1,074
Fixed income securities:						
U.S. treasuries (5)	**9,399**	**–**	**9,399**	7,966	–	7.966
Mortgage-backed (5)	**–**	**2,207**	**2,207**	–	1,877	1,877
Corporate bonds (5)	**1,857**	**3,405**	**5,262**	–	1,766	1,766
International (6)	**667**	**–**	**667**	588	–	588
Total	**$ 44,517**	**$ 5,612**	**$ 50,129**	$ 39,939	$ 3,643	$ 43,582

(1) Includes directly owned securities and mutual funds, primarily low-cost equity index funds not actively managed that track the S&P 500.
(2) Includes directly owned securities and mutual funds, which invest in diversified portfolios of publicly traded U.S. common stocks of small and medium cap companies.
(3) Includes directly owned securities and mutual funds, which invest in diversified portfolios of publicly traded common stocks of large, non-U.S. companies.
(4) Consists of mutual and exchange traded funds which invest in non-U.S. stocks in emerging markets.
(5) Includes directly owned securities, mutual funds and exchange traded funds.
(6) Consists of exchange traded funds which invest in non-U.S. bonds in emerging markets.

NOTE 8 — PENSION PLANS (continued)

Based on actuarial assumptions, estimated future defined benefit payments, which may be significantly impacted by participant elections related to retirement dates and forms of payment, are as follows:

Fiscal Year	
2015	$ 4,465
2016	1,524
2017	1,734
2018	2,112
2019	14,372
2020 - 2024	17,571

The Company expects to contribute $6,000 in cash to all defined benefit pension plans in fiscal 2015.

Multi-Employer Plans

The Company contributes to three multi-employer pension plans under collective bargaining agreements covering union-represented employees. These plans provide benefits to participants that are generally based on a fixed amount for each year of service. Based on the most recent information available, certain of these multi-employer plans are underfunded. The amount of any increase or decrease in Village's 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.

The risks of participating in multi-employer pension plans are different from the risks of participating in single-employer pension plans in the following respects:

- Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to such withdrawing employer may be borne by the remaining participating employers.
- If the Company stops participating in some of its multi-employer pension plans, the Company may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans is outlined in the following tables. The "EIN / Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit pension plan number. The most recent "Pension Protection Act Zone Status" available in 2013 and 2012 is for the plan's year-end at December 31, 2013 and December 31, 2012, respectively, unless otherwise noted. Among other factors, generally, plans in the red zone are less than 65 percent funded, plans in the yellow zone are between 65 and 80 percent funded and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending / Implemented" column indicates plans for which a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

Pension Fund	EIN / Pension Plan Number	Pension Protection Act Zone Status 2013	2012	FIP/RP Status Pending / Implemented	Contributions for the year ended (5) July 26, 2014	July 27, 2013	July 28, 2012	Surcharge Imposed (6)	Expiration date of Collective-Bargaining Agreement
Pension Plan of Local 464A (1)	22-6051600-001	Green	Green	N/A	**$ 615**	$ 532	$ 499	N/A	June 2016
UFCW Local 1262 & Employers Pension Fund(2), (4)	22-6074414-001	Red	Red	Implemented	**3,273**	3,350	3,463	No	October 2018
UFCW Regional Pension Plan (3), (4)	16-6062287-074	Red	Red	Implemented	**1,225**	1,164	1,073	No	December 2014
Total Contributions					**$ 5,113**	$ 5,046	$ 5,035		

(1) The information for this fund was obtained from the Form 5500 filed for the plan's year-end at December 31, 2013 and December 31, 2012.
(2) The information for this fund was obtained from the Form 5500 filed for the plan's year-end at December 31, 2012 and December 31, 2011.
(3) The information for this fund was obtained from the Form 5500 filed for the plan's year-end at September 30, 2013 and September 30, 2012.
(4) This plan has elected to utilize special amortization provisions provided under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010. There were no changes to the plan's zone status as a result of this election.
(5) The Company's contributions represent more than 5% of the total contributions received by each applicable pension fund for all periods presented.
(6) Under the Pension Protection Act, a surcharge may be imposed when employers make contributions under a collective bargaining agreement that is not in compliance with a rehabilitation plan. As of July 26, 2014, the collective bargaining agreements under which the Company was making contributions were in compliance with rehabilitation plans adopted by each applicable pension fund.

Notes to Consolidated Financial Statements
(continued)

NOTE 8 — PENSION PLANS (continued)

Other Postretirement Benefit Plans

The Company also contributes to various other multi-employer benefit plans that provide health and welfare benefits to active and retired participants. Total contributions made by the Company to these other multi-employer benefit plans were approximately $25,531, $22,421 and $20,062 in fiscal 2014, 2013 and 2012, respectively.

Defined Contribution Plans

The Company sponsors a 401(k) savings plan for certain eligible associates. Company contributions under that plan, which are based on specified percentages of associate contributions, were $393, $377 and $331 in fiscal 2014, 2013 and 2012, respectively. The Company also contributes to union sponsored defined contribution plans for certain eligible associates. Company contributions under these plans were $813, $802 and $690 in fiscal 2014, 2013 and 2012, respectively.

NOTE 9 — 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 has recorded estimated insurance recoveries. Net of payments received, the related insurance receivable was $2,290 at July 26, 2014. In October 2013, Wakefern, as the policy holder, filed suit against the primary carrier seeking payment of remaining claims due for all Wakefern members. The suit is the result of different interpretations of policy terms. Final resolution of our insurance claim related to the storm could have a material impact on our results of operations.

Approximately 91% of our employees are covered by collective bargaining agreements. Contracts with the Company's seven unions expire between December 2014 and October 2018. Approximately 29% of our associates are represented by unions whose contracts expire within one year. Any work stoppages could have an adverse impact on our financial results.

The Company is involved in other litigation incidental to the normal course of business. Excluding the tax litigation with the State of New Jersey as described in Note 5, Company management is of the opinion that the ultimate resolution of these legal proceedings should not have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control - Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that the Company's internal control over financial reporting was effective as of July 26, 2014.

The Company's independent registered public accounting firm has audited the accompanying consolidated financial statements and the Company's internal control over financial reporting, as stated in their report, which is included below.

James Sumas *Chairman of the Board and* *Chief Executive Officer*	Kevin R. Begley *Chief Financial Officer*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Village Super Market, Inc.:

We have audited the accompanying consolidated balance sheets of Village Super Market, Inc. and subsidiaries as of July 26, 2014 and July 27, 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years ended July 26, 2014, July 27, 2013 and July 28, 2012. We also have audited Village Super Market, Inc.'s internal control over financial reporting as of July 26, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Village Super Market, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Village Super Market, Inc. and subsidiaries as of July 26, 2014 and July 27, 2013, and the results of their operations and their cash flows for the years ended July 26, 2014, July 27, 2013 and July 28, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Village Super Market, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 26, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by COSO.

KPMG LLP

Short Hills, New Jersey
October 8, 2014

Stock Price and Dividend Information

(All dollars amounts are in thousands except per share amounts)

The Class A common stock of Village Super Market, Inc. is traded on the NASDAQ Global Select Market under the symbol "VLGEA." The table below sets forth the high and low last reported sales price for the fiscal quarter indicated.

2014	**High**	**Low**
4th Quarter	**$ 25.69**	**$ 22.62**
3rd Quarter	**29.41**	**24.69**
2nd Quarter	**38.73**	**28.45**
1st Quarter	**39.23**	**34.40**
2013		
4th Quarter	$ 38.47	$ 32.88
3rd Quarter	35.11	31.79
2nd Quarter	37.66	30.09
1st Quarter	37.95	32.87

As of October 1, 2014, there were approximately 775 holders of Class A common stock.

During fiscal 2014, Village paid cash dividends of $12,432. Dividends in fiscal 2014 consist of $1.00 per Class A common share and $0.65 per Class B common share.

During fiscal 2013, Village paid cash dividends of $24,048. Dividends in fiscal 2013 consist of $2.00 per Class A common share and $1.30 per Class B common share. These amounts include $12,009 of special dividends paid in December 2012, comprised of $1.00 per Class A common share and $0.65 per Class B common share.

Corporate Directory

Officers and Directors

James Sumas
Chairman of the Board;
Chief Executive Officer

Robert Sumas
President;
Chief Operating Officer
and Director

William Sumas
Vice Chairman of the Board;
Executive Vice President;
Director

John P. Sumas
Executive Vice President;
Director

Kevin Begley
Chief Finanical Officer
and Treasurer; Director

Nicholas Sumas
Vice President and Secretary;
Director

John J. Sumas
Vice President and
General Counsel; Director

John Van Orden
Controller

Steven Crystal
Director

David C. Judge
Director

Peter R. Lavoy
Director

Stephen F. Rooney
Director

EXECUTIVE OFFICES

733 Mountain Avenue
Springfield, NJ 07081
973.467.2200

REGISTRAR AND TRANSFER AGENT

American Stock Transfer
& Trust Company
6201 15th Avenue
Brooklyn, NY 11219

AUDITORS

KPMG LLP
51 John F. Kennedy
Parkway
Short Hills, NJ 07078

FORM 10-K

Copies of the Company's Form 10-K as filed with the Securities and Exchange Commission are available without charge upon written request to:

Mr. Nicholas Sumas,
Secretary
Village Super Market, Inc.
733 Mountain Avenue
Springfield, NJ 07081

Village Super Market
733 Mountain Avenue
Springfield, NJ 07081