

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

FOODARAMA SUPERMARKETS INC

Form 10-K

January 28, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
Annual Report pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended
October 30, 2004

Commission file number
1-5745

FOODARAMA SUPERMARKETS, INC.
(Exact name of Registrant as specified in its charter)
New Jersey 21-0717108
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Building 6, Suite 1, 922 Hwy. 33, Freehold, New Jersey 07728
(Address of principal executive offices)

Registrant's telephone number, including area code: (732) 462-4700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$13,224,281. Computation is based on the closing sales price of \$37.00 per share of such stock on the American Stock Exchange on April 30, 2004, the last business day of the Registrant's most recently completed second quarter.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

As of January 14, 2005, the number of shares outstanding of Registrant's Common Stock was 987,617.

DOCUMENTS INCORPORATED BY REFERENCE

Information contained in the 2005 definitive Proxy Statement to be filed with the Commission and to be delivered to security holders in connection with the Annual Meeting is incorporated by reference into this Form 10-K at Part III.

PART I

Disclosure Concerning Forward-Looking Statements

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

Item 1. Business

General

Foodarama Supermarkets, Inc., a New Jersey corporation formed in 1958, operates a chain of twenty-six supermarkets located in Central New Jersey, as well as two liquor stores and one garden center, all licensed as ShopRite. We also operate a central food processing facility to supply our stores with meat, various prepared salads, prepared foods and other items, and a central baking facility which supplies our stores with bakery products. The Company is a member of Wakefern, the largest retailer owned food cooperative warehouse in the United States and owner of the ShopRite name. The Company operates in one industry segment, the retail sale of food and non-food products, primarily in the Central New Jersey region.

We have incorporated the concept of "World Class" supermarkets into our operations. "World Class" supermarkets are significantly larger than conventional supermarkets and feature fresh fish-on-ice, prime meat service butcher departments, in-store bakeries, international foods including Chinese, sushi and kosher sections, meals to go, salad bars, snack bars, bulk foods and

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

pharmacies. Currently, twenty-three of our stores are "World Class" and three are conventional supermarkets.

2

The following table sets forth certain data relating to the Company's business for the periods indicated:

	Fiscal Year Ended				
	October 30, 2004	November 1, 2003	November 2, 2002	November 3, 2001**	October 28, 2000
Average annual sales per store (in millions)*.....	\$49.5	\$46.8	\$44.4	\$43.8	\$40.7
Same store sales increase from prior year***.....	2.04%	1.47%	1.56%	3.77%	4.24%
Total store area in square feet (in thousands).....	1,764	1,558	1,340	1,301	1,294
Total store selling area in square feet (in thousands).....	1,316	1,181	1,001	973	966
Average total square feet per store (in thousands).....	68	65	61	59	59
Average square feet of selling area per store (in thousands)..	51	49	46	44	44
Annual sales per square foot of selling area*....	\$969	\$995	\$986	\$992	\$933
Number of stores:					
Stores remodeled (over \$500,000).....	2	1	0	2	2
New stores opened.	2	2	0	0	1
Stores replaced/ expanded..	2	3	1	1	1
Stores closed/ divested....	1	2	1	0	1
Number of stores by size (total store area):					
30,000 to 39,999 sq.ft	1	2	2	3	3
40,000 to 49,999 sq.ft	1	1	3	3	3
Greater than 50,000 sq.ft..	24	21	17	16	16
Total stores open at period end	26	24	22	22	22

* Sales for stores open less than 52 weeks have been excluded from this calculation.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

** Calculated on a 53 week basis. A like 52 week comparison would be \$43.1 million in average annual sales per store and \$973 in annual sales per square foot of selling area.

***Sales from relocated and closed stores, as well as new stores opened, in the respective periods are not included in this calculation while sales from remodeled and expanded stores are included in this calculation.

3

Store Expansion and Remodeling

We believe that significant capital investment is critical to our operating strategy and we are continuing our program to upgrade our existing stores, replace outdated locations and open new "World Class" supermarkets within our core market area of Central New Jersey.

In fiscal year 2004, a new location was opened in Lawrenceville, New Jersey and a replacement store was opened in Aberdeen, New Jersey. Additionally, one existing location in East Brunswick, New Jersey was expanded and remodeled, a location in Bordentown, New Jersey was purchased from Wakefern and a new garden center was opened. The two existing garden centers were closed. One additional location was remodeled. Over the next three years the Company plans to open two replacement and three new stores and expand one existing location. All of these stores are in Central New Jersey and will be "World Class" operations.

Technology

Automation and computerization are important to our operations and competitive position. All stores utilize IBM 4690 software for the scanning checkout systems. The hardware for the point of sale ("POS") systems was replaced in our stores in fiscal 1999 and 2000. Software enhancements are made on an ongoing basis. These POS upgrades bring all of our stores to a state of the art level with increased processing speed and enhanced marketing capabilities. These systems improve pricing accuracy, enhance productivity and reduce checkout time for customers. During fiscal 2004 automated checkout systems were installed in four additional locations. These systems, which allow the customer to checkout without interaction with Company personnel, are now operating in ten stores. Automated checkout systems provide improved customer service, especially during peak volume periods, and labor scheduling benefits to the Company. Additionally, all stores have IBM RS/6000 processors, which were replaced with the current version of this equipment in 1999 and subsequently enhanced as needed.

A frame relay communications network is being used for high speed transmission and collection of data. This system replaced slower telephone lines. The increased speed improves our ability to access, review for accuracy and analyze data. During fiscal 2002, the infrastructure for improved wireless communications was installed in all of our stores and ISDN circuits were installed which serve as a back up system for the frame relay. The use of these systems allows the Company to offer its customers debit and credit card payment options as well as participation in Price Plus(R), ShopRite's preferred customer program, and the ShopRite co-branded credit card. By presenting the scannable Price Plus(R) card or the ShopRite co-branded card, customers can be given electronic discounts, participate in customer loyalty programs, receive credit for the value of ShopRite in-ad Clip Less coupons and cash personal checks. Also, customers receive a 1% future rebate when paying with the ShopRite credit card.

We are also using other in-store computer systems. Computer generated ordering is installed in all stores. This system is designed to reduce inventory levels and out of stock positions, enhance shelf space utilization and reduce labor

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

costs. In all stores, meat, seafood and delicatessen prices are maintained on department computers for automatic weighing and pricing. In fiscal 2005 a browser based system will be installed which will allow us to control all scales from a central location. This system will have one master pricing file for all scales which will improve control and accuracy, as well as the ability to monitor scale performance. Additionally, all stores have computerized time and attendance systems which are used for, among other things, automated labor scheduling, and most stores have computerized energy management systems. A browser based labor scheduling system

4

was installed in all stores in fiscal 2004. We also utilize a direct store delivery receiving and pricing system for most items not purchased through Wakefern in order to provide cost and retail price control over these products, and computerized pharmacy systems which provide customer profiles, retail price control and third-party billing. The Company has also installed computer based training systems in all stores. The system is presently being used to train all new checkout and produce department personnel. Modules for training bakery and appetizing personnel are being tested in a pilot program and will be installed in all of our stores in fiscal 2005. Training modules for other departments are currently being developed.

In addition, all field merchandisers and operations supervisors are equipped with personal laptop computers. This provides field personnel with current labor and product information to facilitate making accurate and timely decisions. Lotus Notes (R) is used to enhance communication among the Company's stores, our executive offices and Wakefern.

Industry Segment and Principal Products

The Company is engaged in one industry segment. For the last three fiscal years, our sales were divided among the categories listed below:

Product Categories	Fiscal Year Ended		
	10/30/04	11/01/03	11/02/02
Groceries & Tobacco	37.2%	37.6%	38.1%
Dairy & Frozen	16.8	16.3	16.4
Meats, Seafood & Poultry	10.5	10.3	10.1
Non-Foods	9.4	10.1	10.1
Produce	9.4	9.4	9.3
Appetizers & Prepared Foods	7.4	7.0	6.7
Pharmacy	5.3	5.4	5.4
Bakery	2.2	2.2	2.1
Liquor, Floral & Garden Centers	1.8	1.7	1.8
	100.0%	100.0%	100.0%

Gross profit derived by the Company from each product category is not

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

necessarily consistent with the percentage of total sales represented by such product category.

Wakefern Food Corporation

The Company owns a 15.5% interest in Wakefern, a New Jersey corporation organized in 1946, which provides purchasing, warehousing and distribution services on a cooperative basis to its shareholder members, including the Company, who are operators of ShopRite or alternate format supermarkets. As required by the Wakefern By-Laws, repayment of the Company's obligations to Wakefern is personally guaranteed by Joseph J. Saker, Richard J. Saker, Joseph J. Saker, Jr. and Thomas A. Saker. These personal guarantees are required of any 5% shareholder of the Company who is active in the operation of the Company. Wakefern and its 39 shareholder members operate approximately 212 supermarkets of which Wakefern owns and operates 50 locations. Products bearing the ShopRite label accounted for approximately 15% of the Company's total sales for the fiscal year ended October 30, 2004. Wakefern maintains warehouses in Elizabeth, South Brunswick and Woodbridge, New Jersey which handle a full line of groceries, meats, frozen foods, produce, bakery, dairy and delicatessen products and health and beauty aids, as well as a number of non-food

5

items. Wakefern also operates a grocery and perishable products warehouse in Wallkill, New York.

Wakefern's professional advertising staff and its advertising agency develop and place most of the Company's advertising on television, radio and in major newspapers. We are charged for these services based on various formulas which account for the estimated proportional benefits we receive. In addition, Wakefern charges us for, and provides the Company with, product and support services in numerous administrative functions. These include insurance, supplies, technical support for communications and electronic payment systems, equipment purchasing and the coordination of coupon processing. Additionally, we sublease two supermarkets from Wakefern. See Item 2. Properties.

Wakefern distributes, as a patronage dividend to each of its members, a share of its net earnings in proportion to the dollar volume of business transacted by each member with Wakefern during each fiscal year. The Company's participation percentage was 13.5% for fiscal 2004. See Note 4 of Notes to Consolidated Financial Statements.

Although Wakefern has a significant in house professional staff, it operates as a member cooperative and senior executives of the Company spend a substantial amount of their time working on Wakefern committees overseeing and directing Wakefern purchasing, merchandising and various other programs.

Wakefern licenses the ShopRite name to its shareholder members and provides a substantial and extensive merchandising program for the ShopRite label. Except for the license to use the name "ShopRite", we do not believe that the ownership of, or rights in, patents, trademarks, licenses, franchises and concessions is material to our business. The locations at which we may open new supermarkets under the name ShopRite are subject to the approval of Wakefern's Site Development Committee. Under circumstances specified in its By-Laws, Wakefern may refuse to sell merchandise to, and may repurchase the Wakefern stock of, any shareholder member. Such circumstances include certain unapproved transfers by a shareholder member of its supermarket business or its capital stock in Wakefern, unapproved acquisition by a shareholder member of certain supermarket or grocery wholesale supply businesses, the conduct of a business in a manner contrary to the policies of Wakefern, the material breach of any provision of the Wakefern By-Laws or any agreement with Wakefern or a determination by Wakefern that the continued supplying of merchandise or services to such shareholder member would

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

adversely affect Wakefern.

Wakefern requires each shareholder to invest in Wakefern's capital stock to a maximum of \$650,000 for each store operated by such shareholder member. The precise amount of the investment is computed according to a formula based on the volume of each store's purchases from Wakefern. On June 19, 2003 the amount of the per store investment was increased to its current level from the previous amount of \$550,000.

Under its By-Laws, all bills for merchandise and other indebtedness are due and payable to Wakefern weekly and, if these bills are not paid in full, an additional 1% service charge is due on the unpaid portion. Wakefern requires its shareholder members to pledge their Wakefern stock as collateral for payment of their obligations to Wakefern. The Company's investment in Wakefern was \$16,444,000 as of October 30, 2004 and \$15,093,000 as of November 1, 2003. We also have an investment in another company affiliated with Wakefern which was \$1,211,000 as of October 30, 2004 and \$1,080,000 as of November 1, 2003. See Note 4 of Notes to Consolidated Financial Statements.

Since September 18, 1987, the Company has had an agreement, amended in 1992, with Wakefern and all other shareholders of Wakefern, which provides for certain

6

commitments by, and restrictions on, all shareholders of Wakefern. Under the agreement, each shareholder, including the Company, agreed to purchase at least 85% of its merchandise in certain defined product categories from Wakefern. The Company fulfilled this obligation during the 52 week periods ended October 30, 2004, November 1, 2003 and November 2, 2002. If any shareholder fails to meet these purchase requirements, it must make payments to Wakefern (the "Compensatory Payments") based on a formula designed to compensate Wakefern for the profit lost by it by virtue of its lost warehouse volume. Similar payments are due if Wakefern loses volume by reason of the sale of one or more of a shareholder's stores, any shareholder's merger with another entity or the transfer of a controlling interest in the shareholder. Subject to a right of first refusal granted to Wakefern, sales of certain under facilitated stores are permitted free of the restrictions of the agreement. Also, the restrictions of the agreement do not apply if volume lost by a shareholder by the sale of a store is made up by such shareholder by increased volume of new or existing stores. In any event, the Compensatory Payments otherwise required to be made by the shareholder to Wakefern are not required if the sale is made to Wakefern, another shareholder of Wakefern or to a purchaser which is neither an owner or operator of a chain of 25 or more supermarkets in the United States, excluding any ShopRite supermarkets in any area in which Wakefern operates. The agreement extends for an indefinite term and is subject to termination ten years after the approval by a vote of 75% of the outstanding voting stock of Wakefern.

The loss of, or material change in, our relationship with Wakefern (neither of which is considered likely) could have a significant adverse impact on the Company's business. The failure of Wakefern to fulfill its obligations or another member's insolvency or withdrawal from Wakefern could result in additional costs to the remaining members.

We also purchase products and items sold in our supermarkets from a variety of sources other than Wakefern. Neither the Company nor, to the best of our knowledge, Wakefern has experienced or anticipates experiencing any unique material difficulties in procuring products and items in adequate quantities.

Competition

The supermarket business is highly competitive. The Company competes directly with a number of national and regional chains, including A&P, Pathmark, Wegmans,

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Acme, Stop & Shop and Foodtown, as well as various local chains, other ShopRite members and numerous single-unit stores. We also compete with warehouse club stores which charge a membership fee, are non-unionized and operate larger units. Additional competition comes from drug stores, discount general merchandise stores, fast food chains and convenience stores. See Management's Discussion and Analysis - Overview.

Many of the Company's competitors have greater financial resources and sales. As most of our competitors offer substantially the same type of products, competition is based primarily upon price, and particularly in the case of meat, produce, bakery, delicatessen, and prepared foods, on quality. Competition is also based on service, location, appearance of stores and on promotion and advertising. The Company believes that its membership in Wakefern and the ShopRite brand name allow it to maintain a low-price image while providing quality products and the availability of a wide variety of merchandise including numerous private label products under the ShopRite brand name. We also provide clean, well maintained stores, courteous and quick service to the customer and flexibility in tailoring the products offered in each store to the demographics of the communities we service. The supermarket business is characterized by narrow profit margins, and accordingly, our viability depends primarily on our ability to maintain a relatively greater sales volume and more efficient operations than our competitors.

7

Regulatory and Environmental Matters

Our stores and facilities, in common with those of the industry in general, are subject to numerous existing and proposed Federal, State and local regulations. These regulations govern various matters including, but not limited to, the discharge of materials into the environment and other aspects of environmental protection, and occupational safety and health standards. Additionally, these regulations govern the licensing of the Company's pharmacies and our two liquor stores. In addition, as a company with publicly traded securities, we are subject to the requirements of the Sarbanes-Oxley Act of 2002 signed into law on July 30, 2002. We believe our operations are in compliance with such existing laws and regulations and are of the opinion that compliance with these laws and regulations has not had and will not have any material adverse effect on our capital expenditures, earnings or competitive position.

Employees

As of December 31, 2004, we employed approximately 7,400 persons, of whom approximately 6,800 are covered by collective bargaining agreements. 76% of the employees are part time and almost all of these employees are covered by the collective bargaining agreements. Although the Company has historically maintained favorable relations with its unionized employees, it could be affected by labor disputes. Most of our competitors are similarly unionized. See Management's Discussion and Analysis - Overview. The Company is a party to seven collective bargaining agreements expiring on various dates from February 2005 to August 2007. The bargaining agreement with the United Food and Commercial Workers Local 56 expired in May 2004 and has been renegotiated. The new contract expires in October 2006.

By virtue of the nature of the Company's supermarket operations, information concerning backlog, seasonality, major customers, government contracts, research and development activities and foreign operations and export sales is not relevant.

Item 2. Properties

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

The Company's twenty-six supermarkets, all of which are leased, range in size from 31,000 to 101,000 square feet with sales area averaging 75 percent of the total area. All stores are air-conditioned, have modern fixtures and equipment, have their own ample parking facilities and are located in suburban areas.

Leases for 24 of the Company's 26 existing supermarkets expire on various dates from 2005 through 2029. Two of our supermarkets are subleased from Wakefern and these subleases expire in 2006 and 2008, respectively. Upon expiration of these subleases, the underlying leases for these supermarkets will be assigned to and assumed by us if certain conditions, which include the absence of defaults by the Company in its obligations to Wakefern and our lenders, and the maintenance of a specified level of net worth, are satisfied. The terms of these leases expire in 2021 and 2018, respectively. Except for the two subleases with Wakefern and two leases expiring in 2005, all leases contain renewal options ranging from 5 to 25 years. With regard to the two leases expiring in 2005, the Company is evaluating its marketing plans for the trade areas involved. Eight leases require, in addition to a fixed rental, a further rental payment based on a percentage of the annual sales in excess of a stipulated minimum. The minimum has been exceeded in two of the eight locations in the last fiscal year. Most leases also require us to pay for insurance, common area maintenance and real estate taxes. Two additional leases have been signed for new supermarket locations. Additionally, one new lease has been signed for an existing location which will be expanded and remodeled. The terms of these new supermarket leases are substantially similar to the terms of the leases for our existing

8

supermarkets. The Company has experienced delays in the opening of certain new stores because of extensive governmental approvals required to develop new retail properties in New Jersey.

Also, we are subject to leases covering our executive and principal administrative offices containing approximately 18,000 square feet in Howell, New Jersey and a 37,500 square foot facility for our bakery commissary in Freehold, New Jersey. The Company also leases 57,000 square feet of space used for equipment repair facilities and storage in Howell, New Jersey. The Company owns a meat and prepared foods processing facility in Linden, New Jersey, which is the only real property owned by us. In addition, we are a party to an additional lease for a location where we no longer conduct supermarket operations, which has been sublet to a non-affiliated person at terms substantially equivalent to the Company's obligations under its prime lease. See Notes 10 and 14 of Notes to Consolidated Financial Statements.

Item 3. Legal Proceedings

In the ordinary course of our business, we are party to various legal actions not covered by insurance. Although a possible range of loss cannot be estimated, it is the opinion of management, that settlement or resolution of these proceedings will not, in the aggregate, have a material adverse impact on the financial condition or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

9

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) High and Low Common Stock Market Prices

The Company's Common Stock is traded on the American Stock Exchange. The following table sets forth the high and low sales prices for the Common Stock as reported on the American Stock Exchange for the fiscal years ended November 1, 2003 and October 30, 2004.

Fiscal Quarter Ended	High	Low
February 1, 2003	\$ 29.20	\$ 26.00
May 3, 2003	28.55	23.98
August 2, 2003	27.50	24.33
November 1, 2003	28.70	22.50
January 31, 2004	\$ 32.00	\$ 24.05
May 1, 2004	37.23	29.25
July 31, 2004	48.25	36.75
October 30, 2004	48.00	36.00

(b) Holders of Record

The approximate number of record holders of the Company's Common Stock was 303 as of January 14, 2005. In addition, the Company believes that as of that date there were approximately 310 beneficial owners.

(c) Dividends

No dividends have been declared or paid with respect to the Company's Common Stock since October 1979. We are prohibited from paying dividends on our Common Stock by the Third Amended and Restated Revolving Credit and Term Loan Agreement between the Company and four financial institutions. See Management's Discussion and Analysis—Financial Condition and Liquidity. The Company has no intention of paying dividends on its Common Stock in the foreseeable future.

(d) Stock Repurchase Program

On June 8, 2001 the Company announced the commencement of a stock repurchase program whereby we would seek to repurchase shares of our Common Stock having a value of up to \$3 million. This program was increased to \$5.6 million in April 2002. For the year ended November 2, 2002, the Company repurchased a total of 102,853 shares of Common Stock. 101,553 of these shares were purchased in privately negotiated transactions and the remaining 1,300 shares were acquired in open market transactions. 6,377 of these shares were owned by a member of the family of Joseph J. Saker, the Company's Chairman, and were purchased for an average of \$39.52 per share. \$4,523,670, or an average of \$43.98 per share, was expended for the purchase of the 102,853 shares. Since the

10

announcement of the stock repurchase program in June 2001, the Company has repurchased 131,923 shares for \$5,591,597 or an average of \$42.39 per share. See Management's Discussion and Analysis—Financial Condition and Liquidity.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Item 6. Selected Financial Data

The selected financial data set forth below is derived from the Company's consolidated financial statements and should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report. See Management's Discussion and Analysis—Financial Condition and Liquidity and Results of Operations.

	Year Ended				
	October 30, 2004 (1)	November 1, 2003 (2)	November 2, 2002 (3)	November 3, 2001 (4)	October 28, 2000 (5)
(Dollars in thousands, except per share amounts)					
Income statement data:					
Sales	\$ 1,175,199	\$1,049,653	\$963,611	\$945,301	\$866,363
Net income	\$ 1,800	\$ 2,283	\$ 3,240	\$ 3,938	\$ 2,382
Net income per common share:					
Basic	\$ 1.82	\$ 2.31	\$ 3.16	\$ 3.54	\$ 2.13
Diluted	\$ 1.75	\$ 2.26	\$ 3.01	\$ 3.50	\$ 2.13
Cash dividends per common share	—	—	—	—	—
Balance sheet data (at year end):					
Working capital (deficit)	\$ 4,294	\$ 3,959	\$ (590)	\$ (6,907)	\$ (1,215)
Total assets	\$ 348,636	\$315,246	\$219,389	\$194,526	\$191,185
Long-term debt (excluding current portion)	\$ 209,145	\$180,549	\$100,037	\$ 75,553	\$ 82,241
Common shareholders' equity (6)	\$ 41,233	\$ 39,022	\$ 36,625	\$ 38,493	\$ 37,422
Book value per common share	\$ 41.75	\$ 39.54	\$ 37.13	\$ 35.37	\$ 33.49
Tangible book value per common share	\$ 38.50	\$ 36.69	\$ 34.09	\$ 32.29	\$ 30.18

(1) The Company opened one new location in April 2004 and a replacement location in May 2004. Additionally, the expansion of an existing store was completed in January 2004 and a store was purchased from Wakefern in June 2004. A new garden center was opened in May 2004 and the two existing garden centers were closed in May and August 2004. See Management's Discussion and Analysis - Results of Operations - Sales.

11

(2) The Company opened two replacement stores in December 2002 and May 2003 and two new locations in January and October 2003. See Management's Discussion and Analysis - Results of Operations - Sales.

(3) The Company opened one replacement location in November 2001. See

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Management's Discussion and Analysis - Results of Operations - Sales.

- (4) 53 week period.
- (5) The Company opened one new and one replacement location in February and April 2000, respectively.
- (6) The Company repurchased shares of its Common Stock in fiscal 2001 and 2002. See Item 5. - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

OVERVIEW

We operate a chain of 26 ShopRite supermarkets in Central New Jersey. We believe it is important to maintain a modern, one stop competitive shopping environment for our customers and therefore have invested heavily in new, expanded and remodeled facilities. We have incorporated upscale service departments in our World Class supermarket concept. We are the largest member of Wakefern, the largest retailer owned food cooperative warehouse in the United States. Since we purchase from Wakefern most of the product we sell, participate in advertising, supply, insurance and technology programs with Wakefern, and receive 13.5% of Wakefern's patronage dividend, our success is integrally tied to the success of Wakefern.

We operate in a highly competitive geographic area. Certain of our competitors are non-union and therefore may have lower labor and related fringe benefit costs. In the past five years a non-union competitor, Wegmans, has opened five stores in our trading area. We expect Wegmans to continue to open additional locations in our marketing area in the future. Additionally, another non-union operator, Wal-Mart, is expected to open Super Centers, which include extensive food operations, in our trading area.

Certain categories of selling, general and administrative expenses have increased disproportionately in comparison to our sales growth and to inflation in the last three years. We have experienced substantial increases in employee health and pension costs under union contracts and for non-union associates. Additionally, the cost of utilities to operate our stores has increased dramatically in fiscal 2004. We expect these trends to continue for fiscal 2005.

We look at a variety of indicators to evaluate our performance, such as same store sales; sales per store; sales per selling square foot; percentage of total sales by department; shrink by department and store; departmental gross profit margins; sales per man hour; hourly labor rates and percent of overtime.

12

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results. The application of those critical accounting policies requires 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.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Goodwill

Effective November 3, 2002, the Company implemented Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Accounting for Goodwill and Other Intangible Assets." Goodwill and other intangibles that have indefinite useful lives will not be amortized, but instead will be tested at least annually for impairment at the reporting unit level. The Company has determined that it is contained within one reporting unit and as such, impairment is tested at the company level. During the first quarter of fiscal 2004, the Company completed the goodwill annual impairment test prescribed by SFAS 142. The Company engaged an independent third party appraiser with expertise in valuations of the type contemplated to undertake the first step of Foodarama's Goodwill Impairment Test. The carrying value of the Company's equity was compared to the fair value of the Company's equity as of November 2, 2003 (the "Valuation Date"), the first day of the Company's fiscal year ended October 30, 2004. The fair value was calculated using a weighted average from the results obtained from three widely-accepted valuation approaches:

1. discounted cash flow analysis;
2. comparable public company analysis; and
3. comparable public transaction analysis.

The appraiser excluded the market capitalization of Foodarama's publicly-traded stock as an approach to determine fair value of equity because Foodarama's stock is thinly traded. The Goodwill Impairment Test is comprised of several steps. Based on the results obtained from the first step of the Goodwill Impairment Test, which resulted in the fair value exceeding the carrying value of equity, further analysis was not required, and Foodarama's goodwill was determined not to be impaired. No events or circumstances occurring subsequent to the Valuation Date have affected the valuation as of that date.

Inventory Valuation

We value our inventories at the lower of cost or market. Cost was determined using the last-in, first-out ("LIFO") method for approximately 82% and 81% of inventories in fiscal years 2004 and 2003, respectively. Under the LIFO method, the cost assigned to items sold is based on the cost of the most recent items purchased. As a result, the costs of the first items purchased remain in inventory and are used to value ending inventory. The excess of estimated current costs over LIFO carrying value, or LIFO reserve, was approximately \$3,740,000 and \$2,735,000 at October 30, 2004 and November 1, 2003,

13

respectively. Costs for the balance of inventories are determined by the first-in, first-out ("FIFO") method.

Cost was determined using the retail method for approximately 76% and 77% of inventories in fiscal years 2004 and 2003, respectively. Under the retail method, the valuation of inventories at cost and the resulting gross margins are determined by applying a cost-to-retail ratio for various groupings of similar items to the retail value of inventories. Inherent in the retail inventory method calculations are certain management judgments and estimates, including shrinkage, which could impact the ending inventory valuation at cost as well as

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

the resulting gross margins. Cost was determined using the item cost method for approximately 24% and 23% of inventories in fiscal years 2004 and 2003, respectively. This method involves counting each item in inventory, assigning costs to each of these items based on the actual purchase costs (net of vendor allowances) of each item and recording the actual cost of items sold. The item-cost method of accounting allows for more accurate reporting of periodic inventory balances and enables management to more precisely manage inventory and purchasing levels when compared to the retail method of accounting. We believe we have the appropriate inventory valuation controls in place to minimize the risk that inventory values would be materially misstated.

Patronage Dividends

As a stockholder of Wakefern, the Company earns a share of Wakefern's earnings, which is distributed as a "patronage dividend". This dividend is based on a distribution of Wakefern's operating profits for its fiscal year, which ends the Saturday closest to September 30, in proportion to the dollar volume of business transacted by each member of Wakefern during that fiscal year. Patronage dividends are recorded as a reduction of cost of goods sold. The Company accrues estimated patronage dividends due from Wakefern quarterly, based on an estimate of the annual Wakefern patronage dividend and an estimate of the Company's share of this annual dividend based on the Company's estimated proportional share of the dollar volume of business transacted with Wakefern that year. These estimates are based on both historical patronage dividend percentages and current volume merchandise purchased from Wakefern. A change in this estimate by .01% would represent a change in annual gross profit dollars of approximately \$120,000.

Pension Plans and Other Postretirement Benefits

We sponsor two defined benefit pension plans covering administrative personnel and members of a union. The plans' assets consist primarily of publicly traded stocks and fixed income securities. Additionally, the Company will provide certain current officers and provided former officers with supplemental income payments and limited medical benefits during retirement. The determination of the Company's obligation and expense for pension and other postretirement benefits is dependent, in part, on the Company's selection of assumptions used by actuaries in calculating those amounts. These assumptions are described in Notes 15 and 16 of Notes to Consolidated Financial Statements 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. In accordance with generally accepted accounting principles, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and recorded obligations 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 pension obligations and future expense.

14

To develop the expected long-term rate of return on asset assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. Based on these factors and the asset allocation discussed below, the Company elected to use an 8.0% expected return on plan assets in determining pension expense for fiscal 2004. This is the same expected return on plan assets used in determining pension expense for fiscal 2003. The assumptions were net of expected plan expenses payable from the plans' assets. A .50% reduction in our expected long-term rate of return on pension plan assets, holding all other factors constant, would have increased our pension expense during fiscal 2004 by approximately \$29,000.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

The Company's objective in selecting a discount rate is to select the best estimate of the rate at which the benefit obligations could be effectively settled on the measurement date. In making this best estimate, the Company looks at rates of return on high-quality fixed-income investments currently available and expected to be available during the period to maturity of the benefits. This process includes looking at the universe of bonds available on the measurement date with a quality rating of Aa or better. Based on the Company's review of market interest rates, the Company lowered the discount rate that it used for determining future pension obligations to a range from 5.75% to 6.25% for fiscal 2004 compared to a range of 6.25% to 7.00% for fiscal 2003.

Pension and postretirement benefit expense is sensitive to the discount rate and other assumptions used. A 50% decrease in the discount rate assumption used would increase pension and postretirement benefit expense during fiscal 2004 by \$80,000 and \$48,000 respectively.

As of October 30, 2004, the pension and postretirement benefit plans had cumulative net actuarial losses due to the difference between expected and actual plan experience, and to changes in actuarial assumptions including the discount rate, of approximately \$5.2 million and \$1.9 million, respectively. These unrecognized net actuarial losses, to the extent not offset by future actuarial gains, result in increases in our future pension and postretirement benefit expense depending on several factors, including whether such gains and losses, as recognized at each measurement date, exceed the corridor in which gains and losses are not amortized, in accordance with SFAS No. 87, "Employers' Accounting for Pensions".

The value of our pension plan assets has increased from \$5.8 million at November 1, 2003 to \$6.4 million at October 30, 2004. The investment performance returns have slightly increased the funded status of our pension plans. We believe that, based on our actuarial assumptions and due to the funded status of our pension plans, we will be required to make cash contributions of \$1.3 million to our pension plans for the fiscal year ending October 29, 2005.

Workers' Compensation Insurance

From June 1, 1991 to May 31, 1997 we maintained workers' compensation insurance with various carriers on a retrospective basis. We have established reserve amounts based upon our evaluation of the status of claims still open as of October 30, 2004 and loss development factors used by the insurance industry. As of October 30, 2004, the worker's compensation reserve totaled approximately \$639,000. Such reserve amount is only an estimate and there can be no assurance that our eventual workers' compensation obligations will not exceed the amount of the reserve. However, we believe that any difference between the amount recorded for our estimated liability and the costs of settling the actual claims would not be material to the results of operations.

15

FINANCIAL CONDITION AND LIQUIDITY

The Company is a party to a Third Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") with four financial institutions. The Credit Agreement serves as our primary funding source for working capital and capital expenditures. The Credit Agreement is secured by substantially all of the Company's assets and provided for a total commitment of up to \$80,000,000, including a revolving credit facility (the "Revolving Note") of up to \$35,000,000, a term loan (the "Term Loan") in the amount of \$25,000,000 and a capital expenditures facility (the "Capex Facility") of up to \$20,000,000. The Credit Agreement expires December 31, 2007. As of October 30, 2004 the Company owed \$15,000,000 on the Term Loan and \$20,000,000 under the Capex Facility.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

As of April 15, 2004 the Credit Agreement was amended to allow the Company to borrow under the revolving credit facility, on any Tuesday or Wednesday, up to \$5,000,000 in excess of the availability under the borrowing base limitation of 65% of eligible inventory as long as a like amount of cash and cash equivalents are on hand at store level or in transit to the Company's banks. This amount was reduced to \$4,000,000 on June 16, 2004 and \$3,000,000 on July 16, 2004 with the provision expiring on August 16, 2004. Additionally, the amendment realigned the annual limits on Adjusted Indebtedness, Indebtedness attributable to Capitalized Lease Obligations, Adjusted Capex and Store Project Capex to more closely follow the timing of the Company's new store and store remodeling program. The lending group also consented to the purchase of a store location from Wakefern for \$1,000,000.

As of August 24, 2004 the Credit Agreement was further amended to allow the Company to borrow under the revolving credit facility, on any Tuesday and on any Wednesday, up to \$3,000,000 in excess of the availability under the borrowing base limitation of 65% of eligible inventory as long as a like amount of cash and cash equivalents are on hand at store level or in transit to the Company's banks. This provision expired on January 15, 2005. This amendment is superceded by the October 21, 2004 amendment discussed below.

As of October 21, 2004 the Credit Agreement was further amended to allow the Company to borrow under the revolving credit facility up to \$6,000,000 in excess of the availability under the borrowing base limitation of 65% of eligible inventory as long as a like amount of cash and cash equivalents are on hand at store level or in transit to the Company's banks. Additionally, the total revolving commitment was increased to \$41,000,000. These provisions expired on January 15, 2005.

As of July 19, 2004 the Credit Agreement was amended to increase the limit on the amount of Adjusted Capex for fiscal 2004 to \$5,100,000 and decrease the limit on the amount of Adjusted Capex for fiscal 2005 to \$4,000,000. The amendment realigned the annual limits on Adjusted Capex to more closely follow the timing of the Company's store remodeling program.

For the year ended October 30, 2004, the value of the accrued benefits under the Company's pension plans exceeded the aggregate fair value of the assets of the plans by \$3,117,000, \$117,000 more than the amount permitted under the Credit Agreement. This event of default was waived by our lenders.

The Credit Agreement contains a number of covenants with which the Company must comply. Non-compliance with any of such covenants could affect the availability of funds under the Credit Agreement and have a material adverse effect on the Company's financial condition and liquidity. The Company is in compliance with

16

the major financial covenants under the Credit Agreement as of October 30, 2004, as follows:

Financial Covenant -----	Credit Agreement -----	Actual (As defined in the Credit Agreement) -----
Adjusted EBITDA (1)	Greater than \$26,000,000	\$ 27,681,000
Leverage Ratio (1) (2)	Less than 3.00 to 1.00	2.74 to 1.00
Debt Service Coverage Ratio (3)	Greater than 1.10 to 1.00	1.78 to 1.00
Adjusted Capex (4)	Less than \$5,100,000 (5)	\$ 4,983,000 (6)
Store Project Capex	Less than \$24,500,000 (5)	\$ 23,249,000 (6)

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

- (1) Excludes obligations under capitalized leases, interest expense and depreciation expense attributable to capitalized leases, non-cash write downs and changes in the LIFO reserve.
- (2) The Leverage Ratio is calculated by dividing the current and non-current portions of Long-Term Debt and Long-Term Debt Related Party by Adjusted EBITDA.
- (3) The Debt Service Coverage Ratio is calculated by dividing Operating Cash Flow by the sum of adjusted net interest expense, which excludes interest on capitalized leases, the current provision for income taxes and regularly scheduled principal payments, which exclude principal payments on capitalized leases. Operating Cash Flow is calculated by subtracting amounts expended for property and equipment which are not used for projects in excess of \$500,000 (\$1,604,000 in fiscal 2004) from Adjusted EBITDA.
- (4) Adjusted Capex is all capital expenditures other than New/Replacement Store Project Capex.
- (5) Represents limitations on capital expenditures for fiscal 2004.
- (6) Represents capital expenditures for fiscal 2004.

On January 29, 2004 we financed the purchase of \$1,100,000 of equipment for the expanded store location in East Brunswick, New Jersey. The note bears interest at 6.20% and is payable in monthly installments over its five year term.

On October 15, 2003 we financed the purchase of \$1,900,000 of equipment for the expanded store location in East Brunswick, New Jersey. The note bears interest at 6.20% and is payable in monthly installments over its five year term.

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

During the fifty two weeks ended October 30, 2004, the Company was required to make an additional investment in Wakefern for two new stores, which includes the location purchased from Wakefern, and an increased assessment for a replacement

17

store. On June 19, 2003 Wakefern increased the amount that each shareholder is required to invest in Wakefern's capital stock to a maximum of \$650,000 for each store operated by such shareholder member. Previously, the maximum was \$550,000 per store. The above changes in the amounts of required investment increased our investment in Wakefern by \$3,288,000, which will be paid weekly, without interest, over a four year period starting September 16, 2003.

Over the next three years the Company plans to open two replacement and three new stores and expand one existing location. For fiscal years 2005, 2006 and 2007 we have budgeted \$8,000,000, \$32,600,000 and \$25,700,000, respectively, for these projects, store remodelings and maintenance capital expenditures. Financing for these projects will be provided by cash flow from operations, the Revolving Note and additional financing outside of, and which is permitted under, the Credit Agreement. Any additional investment required by Wakefern for new locations will be financed by Wakefern.

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

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Working Capital:

At October 30, 2004 the Company had working capital of \$4,294,000 as compared to working capital of \$3,959,000 on November 1, 2003 and a working capital deficiency of \$590,000 on November 2, 2002. The Company normally requires small amounts of working capital since inventory is generally sold at approximately the same time that payments to Wakefern and other suppliers are due and most sales are for cash or cash equivalents. Working capital improved in fiscal 2004 primarily as the result of the increase in receivables from Wakefern. This increase relates primarily to receivables for patronage dividends and other current amounts due us. When collected, the proceeds from these receivables will be used to reduce the Revolving Note which is classified as long-term borrowings. This will result in a corresponding decrease in working capital. The balance of accounts receivables consist primarily of returned checks due the Company, third party pharmacy insurance claims and organization charge accounts. The terms of most receivables are 30 days or less. The allowance for uncollectible accounts is large in comparison to the amount of accounts receivable because the allowance consists primarily of a reserve for returned checks which are not written off until all collection efforts are exhausted and a reserve for payments receivable under an agreement for a formerly occupied location. A legal action has commenced to recover the amounts due us under this agreement.

Working capital improved in fiscal 2003 primarily as the result of the increase in receivables from Wakefern. This increase related primarily to receivables for patronage dividends and other current amounts due us. When collected, the proceeds from these receivables were used to reduce the Revolving Note which is classified as long-term borrowings. This resulted in a corresponding decrease in working capital.

Working capital improved in fiscal 2002 primarily as the result of the increase in receivables due from landlords for construction allowances for the Woodbridge and Ewing, New Jersey locations. When these receivables were collected, the proceeds were used to reduce the Revolving Note which is classified as long-term borrowings. This resulted in a corresponding decrease in working capital.

Working capital ratios were as follows:

October 30, 2004	1.05 to 1.00
November 1, 2003	1.05 to 1.00
November 2, 2002	.99 to 1.00

18

Cash flows (in millions) were as follows:

	2004 ----	2003 ----	2002 ----
From operations.....	\$19.6	\$ 17.9	\$ 15.5
Investing activities.....	(24.3)	(34.8)	(26.0)
Financing activities.....	5.4	17.9	10.6
	-----	-----	-----
Totals	\$.7	\$ 1.0	\$.1
	=====	=====	=====

Fiscal 2004 capital expenditures totaled \$28,232,000 with depreciation of \$20,634,000 compared to \$34,432,000 and \$17,096,000, respectively for fiscal 2003 and \$21,019,000 and \$14,175,000, respectively for fiscal 2002. The increase in depreciation in fiscal 2004 was the result of the purchase of equipment and

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

leasehold improvements for the two new locations opened in Lawrenceville and Aberdeen, New Jersey in April and May 2004, respectively, the completion of the expansion and remodeling of the East Brunswick store in January 2004, the remodeling of the Neptune location completed in November 2004 and the purchase of the Bordentown, New Jersey location in June 2004, as well as the addition of one new capitalized real estate lease and the increase in obligations under a capitalized real estate lease for a replacement store and a full year of depreciation for the four locations opened in fiscal 2003. Additionally, a non-cash impairment charge of \$1,198,000 was recorded in fiscal 2004. This charge resulted from operating losses incurred at a location having a lease which is expiring in fiscal 2005. There were no impairment charges recorded in fiscal 2003 or fiscal 2002. The increase in depreciation in fiscal 2003 was the result of the purchase of equipment and leasehold improvements for the four new locations opened in Woodbridge, Ewing, North Brunswick and Hamilton, New Jersey in December 2002, January 2003, May 2003 and October 2003, respectively, and the new bakery facility, as well as six additional capitalized real estate leases. The increase in depreciation in fiscal 2002 was the result of the purchase of equipment and leasehold improvements, as well as the capitalized real estate lease for the Middletown store opened in November 2001 and a full year of depreciation for the three locations remodeled in fiscal 2001.

The number of capital projects undertaken in fiscal 2004 decreased and therefore capital expenditures declined in fiscal 2004. Capital expenditures increased in fiscal 2003 and fiscal 2002 as the result of the purchase of equipment and leasehold improvements for the four new locations opened in fiscal 2003, the construction of and equipment for our new bakery commissary, projects in process in fiscal 2003 for two new stores which were completed in fiscal 2004 and the expansion and remodeling of an existing location.

In fiscal 2004 long-term debt increased \$29,147,000 due to the capitalization of one new real estate lease, the increase in obligations under a capitalized real estate lease for a replacement store, an increase in borrowings under the Credit Agreement, financing outside of the Credit Agreement for the purchase of equipment for one location and the issuance of notes for the additional investments required by Wakefern for three of the new locations. Cash generated by operations was used to pay down a portion of existing debt.

In fiscal 2003 long-term debt increased \$82,043,000 due to the capitalization of six real estate leases, an increase in borrowings under the Credit Agreement, financing outside of the Credit Agreement for the purchase of equipment for two locations and notes for the additional investments required by Wakefern for two of the new locations and the increase in the required Wakefern investment for each location. Cash generated by operations was used to pay down a portion of existing debt.

19

In fiscal 2002 long-term debt increased \$26,220,000 due to the capitalization of a real estate lease for the location opened in the year and an increase in borrowings under the Credit Agreement. These increases were partially offset by cash generated by operations used to pay down existing debt.

No shares of Common Stock were purchased in fiscal 2004 or in fiscal 2003.

For the year ended November 2, 2002, the Company repurchased a total of 102,853 shares of Common Stock. 101,553 of these shares were purchased in privately negotiated transactions and the remaining 1,300 shares were acquired in open market transactions. 6,377 of these shares were owned by a member of the family of Joseph J. Saker, the Company's Chairman, and were purchased for an average of \$39.52 per share. \$4,523,670, or an average of \$43.98 per share, was expended for the purchase of the 102,853 shares. While it engaged in repurchasing its stock under an announced stock repurchase program from June 2001 to April 2002, the Company repurchased 131,923 shares for \$5,591,597 or an average of \$42.39

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

per share.

During the year ended November 3, 2001, the Company repurchased a total of 29,070 shares of Common Stock. 25,070 of these shares were purchased in privately negotiated transactions. 7,000 of these shares were owned by the Estate of Mary Saker, of which the Company's Chairman, Joseph J. Saker, is a co-executor, and 18,000 shares were owned by certain members of Mr. Saker's family. \$1,067,927, or an average of \$36.74 per share, was expended for the purchase of the 29,070 shares.

At October 30, 2004, the Company had \$1,971,000 of available credit, under its revolving credit facility. The availability does not include the additional \$6,000,000 provided by the October 21, 2004 amendment to the Credit Agreement which expired on January 15, 2005. Since no capital projects were in process, the Company has no capital commitments for equipment and leasehold improvements as of October 30, 2004. The Credit Agreement and permitted borrowings outside of the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2005.

During fiscal year 2002, the Business Tax Reform Act was passed in the State of New Jersey. This legislation is effective for tax years beginning on or after January 1, 2002 (fiscal 2003). Corporate taxpayers are subject to an "Alternative Minimum Assessment ("AMA"), which is based upon either New Jersey Gross Receipts or New Jersey Gross Profits, if the AMA exceeds the tax based on net income. We have included in our current tax provision the effect of the AMA. The AMA increased our State current tax liability, net of Federal tax benefit, by \$1,519,000 for fiscal 2004. Additionally, in March 2002 and May 2003 The Job Creation and Worker Assistance Act of 2002 and The Jobs and Growth Tax Relief Reconciliation Act of 2003 ("Tax Acts") were passed by the United States Congress. The current Federal tax benefit for accelerated depreciation resulting from the Tax Acts is approximately \$1,073,000 for fiscal 2004 and is reflected in deferred income taxes.

The table below summarizes our contractual obligations at October 30, 2004, and the effect such obligations are expected to have on liquidity and cash flow in future periods.

20

		Payments Due By Period			
		Less Than	2-3	4-5	After 5
		1 Year	Years	Years	Years
Contractual Obligations		Total			
		-----	-----	-----	-----
(Dollars In Thousands)					
Long-term debt	\$ 71,466	\$ 8,415	\$ 18,093	\$ 44,782	\$ 176
Interest on Long Term Debt (1)	14,960	4,471	7,313	3,176	-
Related party debt,					
non interest bearing	4,457	867	1,950	952	688
Capital lease obligations (2)	354,281	15,943	31,566	31,609	275,163
Operating leases (2)	64,307	10,160	15,910	12,381	25,856
Other Liabilities (3)	4,925	1,289	662	809	2,165
Purchase obligations -					
leaseholds and equipment	-	-	-	-	-
Lease commitments - stores					
under construction	-	-	-	-	-
Total	\$ 514,396	\$41,145	\$75,494	\$ 93,709	\$304,048

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

=====

- (1) Includes interest expense at estimated interest rates of 6.00% to 7.50% on variable rate debt of \$65,594 and interest expense at interest rates of 6.44% to 8.74% on fixed rate debt of \$5,874.
- (2) Lease obligation figures do not include insurance, common area maintenance charges and real estate taxes for which the Company is obligated.
- (3) Other liabilities include estimated unfunded pension liabilities, and estimated post-retirement and post-employment obligations based on available actuarial data.

RESULTS OF OPERATIONS

Sales:

The Company's sales were \$1,175.2 million, \$1,049.7 million and \$963.6 million, respectively in fiscal 2004, 2003 and 2002. This represents an increase of 12.0% in 2004 and an increase of 8.9% in 2003. These changes in sales levels were the result of the opening of one new and one replacement store, the purchase of a supermarket and the expansion of an existing supermarket in fiscal 2004 and the opening of two new and two replacement stores in fiscal 2003. The locations opened in May 2004, May 2003 and December 2002 replaced smaller, older stores.

Comparable store sales increased 2.0% in fiscal 2004 and 1.5% in fiscal 2003. Sales from relocated and closed stores, as well as new stores opened, in the respective periods are not included in this calculation while sales from remodeled and expanded stores are included in this calculation. Comparable store sales increases in fiscal 2004 and fiscal 2003 were partially offset by decreased sales in certain of the Company's stores affected by competitive store openings and the impact of several of our new and replacement locations. Additionally, the increases in comparable store sales for 2003 were partially offset by a softening in the economy and the impact of deflation in certain product categories.

21

Gross Profit:

Gross profit totaled \$309.9 million in fiscal 2004 compared to \$273.0 million in fiscal 2003 and \$245.1 million in fiscal 2002. Gross profit as a percent of sales was 26.4% in fiscal 2004, 26.0% in fiscal 2003 and 25.4% in fiscal 2002. Cost of goods sold includes the costs of inventory sold and the related purchase, inbound freight and distribution costs including those costs charged by Wakefern for operation of warehouses, distribution and delivery of product to our stores. Vendor allowances and rebates and Wakefern patronage dividends are reflected as a reduction of cost of goods sold. Any costs to us related to other services which Wakefern provides are not included in cost of goods sold.

Gross profit as a percentage of sales increased in fiscal 2004 primarily as a result of improved product mix (.13%), the contribution of the one new and one replacement store opened in fiscal 2004, including Wakefern incentive programs for new locations (.25%), reduced Wakefern assessment as a percentage of sales (.20%) and a reduction in product loss through improved shrink control (.03%). These increases were offset in part by programs implemented in certain of the Company's stores to address competitive store openings (.22%) and a decrease in the Wakefern patronage dividend (.03%).

Gross profit as a percentage of sales increased in fiscal 2003 primarily as a result of improved product mix (.53%), the contribution of the two new and two replacement stores opened in fiscal 2003, including Wakefern incentive programs for new locations (.32%), reduced Wakefern assessment as a percentage of sales (.05%), an increase in the Wakefern patronage dividend (.13%) and a reduction in

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

product loss through improved shrink control (.03%). These increases were offset in part by programs implemented in certain of the Company's stores to address competitive store openings and by promotional programs for the new locations opened in the current year period (.49%).

The increase in fiscal 2002 of gross profit as a percentage of sales was primarily due to improved product mix (.48%), the contribution of the new location in Middletown, New Jersey (.16%), more efficient commissary operations (.05%), an increase in patronage dividends from Wakefern (.05%) and a reduction in product loss through improved shrink control (.11%). These increases were offset in part by programs implemented in certain of the Company's stores to address competitive store openings (.19%).

Patronage dividends applied as a reduction of the cost of merchandise sold were \$9,848,000, \$9,119,000 and \$7,124,000 for the last three fiscal years. This translates to .84%, .87% and .74% of sales for the respective periods.

Fiscal Years Ended			
	10/30/04	11/01/03	11/02/02
	-----	-----	-----
	(in millions)		
Sales.....	\$ 1,175.2	\$1,049.7	\$ 963.6
Gross profit.....	309.9	273.0	245.1
Gross profit percentage.....	26.4%	26.0%	25.4%

22

Selling, General and Administrative Expenses:

Fiscal 2004 selling, general and administrative expenses totaled \$290.8 million compared to \$256.9 million in fiscal 2003 and \$231.7 million in fiscal 2002.

Fiscal Years Ended			
	10/30/04	11/01/03	11/02/02
	-----	-----	-----
	(in millions)		
Sales.....	\$ 1,175.2	\$1,049.7	\$ 963.6
Selling, General and Administrative Expenses.....	290.8	256.9	231.7
Percent of Sales.....	24.7%	24.5%	24.0%

Selling, general and administrative expenses increased as a percent of sales when comparing fiscal 2004 to fiscal 2003. Increases in labor and related fringe benefits, depreciation, impairment charges and occupancy costs were partially offset by decreases in pre-opening costs and administration. The increase in labor and related fringe benefits was the result of contractual increases in fringe benefits. Labor and related fringe benefits increased from \$146,006,000 to \$164,280,000. Depreciation increased as the result of the purchase of equipment and leasehold improvements for two new locations opened in Lawrenceville and Aberdeen, New Jersey, the completion of the expansion and remodeling of the East Brunswick store, the remodeling of the Neptune location and the purchase of the Bordentown, New Jersey location, as well as the addition of one new capitalized real estate lease and the increase in obligations under a capitalized real estate lease for a replacement store and a full year of

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

depreciation for the four locations opened in fiscal 2003. Depreciation increased from \$17,096,000 to \$20,634,000. The impairment charge relates to the recording of a non-cash write down of the leasehold improvements resulting from operating losses incurred at a location having a lease which is expiring in fiscal 2005. The impairment charge was \$1,198,000 as compared to no impairment charge in fiscal 2003. The increase in occupancy was primarily the result of increases in electric and gas rates from utility companies. Utility costs increased from \$10,024,000 to \$12,929,000. Administration decreased as several components increased at a slower rate than the increase in sales and idle facility costs decreased as leases for several previously occupied locations were terminated. Administration costs declined from \$19,750,000 to \$19,479,000. Pre-opening costs decreased since only two new locations were opened in fiscal 2004 compared to four new stores in fiscal 2003. Pre-opening costs were \$1,154,000 in fiscal 2004 compared to \$1,796,000 in fiscal 2003. As a percentage of sales, labor and related fringe benefits increased .06%, depreciation increased .12%, impairment charges increased .10% and occupancy increased .19%. These increases were partially offset by decreases in pre-opening costs of .07% and administrative expense of .22%.

Selling, general and administrative expenses increased as a percent of sales when comparing fiscal 2003 to fiscal 2002. Increases in labor and related fringe benefits, depreciation and pre-opening costs were partially offset by decreases in occupancy and administration. The increase in labor and related fringe benefits was the result of additional personnel for the new Woodbridge, Ewing, North Brunswick and Hamilton stores, increased sales in service intensive departments and contractual increases in fringe benefits. Labor and related

23

fringe benefits increased from \$130,912,000 to \$146,006,000. Depreciation increased as the result of the purchase of equipment and leasehold improvements for the four new locations and the new bakery facility, as well as six additional capitalized real estate leases. Depreciation increased from \$14,175,000 to \$17,096,000. Pre-opening costs were for the new Woodbridge, Ewing, North Brunswick and Hamilton stores opened in December 2002, January 2003, May 2003 and October 2003, respectively. Pre-opening costs increased from \$246,000 to \$1,796,000. The decrease in occupancy was primarily the result of several leases which were accounted for as operating leases being replaced by capitalized leases and the decrease in certain fixed costs as a percentage of sales. Although occupancy costs decreased as a percentage of sales, the actual cost increased from \$40,251,000 to \$42,361,000 due to the addition of two new and two replacement locations. Administration, as a percentage of sales, decreased as several components increased at a slower rate than the increase in sales. Accordingly, administrative expense increased from \$18,950,000 to \$19,750,000. As a percentage of sales, labor and related fringe benefits increased .32%, depreciation increased .16% and pre-opening costs increased .14%. These increases were partially offset by decreases in occupancy of .13% and administrative expense of .09%.

Amortization expense increased in fiscal 2004 to \$548,000 compared to \$475,000 in fiscal 2003 and \$463,000 in fiscal 2002. The increase in fiscal 2004, as compared to fiscal 2003 and fiscal 2002, was the result of increased amortization of deferred financing costs partially offset by decreased amortization of deferred escalation rents and the discontinuance of the amortization of goodwill as required by SFAS No. 142. See Note 1 of Notes to Consolidated Financial Statements.

Interest Expense:

Interest expense totaled \$16.4 million in fiscal 2004 compared to \$12.4 million in fiscal 2003 and \$8.2 million in fiscal 2002. The increase in interest expense for fiscal 2004 and fiscal 2003 was due to an increase in average outstanding debt, including increased capitalized lease obligations, and an increase in the

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

average interest rate paid on debt.

Income Taxes:

The Company recorded a tax provision of \$1.1 million in fiscal 2004, \$1.5 million in fiscal 2003 and \$2.2 million in fiscal 2002. See Note 13 of Notes to Consolidated Financial Statements.

Net Income:

The Company had net income of \$1,800,000 or \$1.75 per diluted share in fiscal 2004 compared to net income of \$2,283,000 or \$2.26 per diluted share in fiscal 2003. EBITDA for fiscal 2004 were \$41,534,000 as compared to \$33,636,000 in fiscal 2003. Fiscal 2002 resulted in net income of \$3,240,000 or \$3.01 per diluted share. EBITDA for fiscal 2002 were \$28,076,000.

Weighted average diluted shares outstanding were 1,030,167 for fiscal 2004, 1,011,350 for fiscal 2003 and 1,076,030 for fiscal 2002.

EBITDA is presented because management believes that EBITDA is a useful supplement to net income and other measurements under accounting principles generally accepted in the United States since it is a meaningful measure of a company's performance and ability to meet its future debt service requirements, fund capital expenditures and meet working capital requirements. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered as an alternative to (i) net income (or any other measure of performance under generally accepted accounting

24

principles) as a measure of performance or (ii) cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. The following table reconciles reported net income to EBITDA:

	Fiscal Years Ended		
	10/30/04	11/01/03	11/02/02
Net income	\$1,800,000	\$ 2,283,000	\$ 3,240,000
Add:			
Interest expense, net	16,251,000	12,260,000	8,036,000
Income tax provision	1,103,000	1,522,000	2,162,000
Depreciation	20,634,000	17,096,000	14,175,000
Impairment loss	1,198,000	-	-
Amortization	548,000	475,000	463,000
EBITDA	\$41,534,000	\$33,636,000	\$28,076,000

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2003, the Emerging Issues Task Force (the "EITF") reached a consensus on EITF No. 03-10, "Application of Issue No. 02-16 by Resellers to Sales Incentives Offered to Consumers by Manufacturers." This issue addresses the accounting for manufacturer sales incentives offered directly to consumers, including manufacturer coupons. The adoption of EITF No. 03-10 did not have any effect on our financial position or results of operations.

In December 2003, the Financial Accounting Standards Board ("FASB") issued SFAS

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

No. 132R (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits - an amendment of FASB Statements No. 87, 88, and 106" ("SFAS 132"). The revised Statement retains the disclosure requirements contained in SFAS 132 before the amendment but requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The annual disclosure requirements under this Statement are effective for the Company's fiscal year ending October 30, 2004, and the quarterly disclosure requirements are effective for the Company's interim periods beginning with the second quarter ending May 1, 2004. The implementation of SFAS 132, as revised in 2003, did not have a material impact on the Company's consolidated financial statements. See Note 15 of Notes to Consolidated Financial Statements.

In December 2003, FASB issued a revised interpretation of FIN 46 (FIN -R), which supercedes FIN 46 and clarifies and expands current accounting guidance for variable interest entities. FIN 46 and FIN 46-R are effective immediately for all variable interest entities created after January 31, 2003, and for variable interest entities prior to February 1, 2003, no later than the end of the first reporting period after March 15, 2004. The adoption of FIN 46 and FIN 46-R did not have a material impact on the Company's financial reporting and disclosure.

In March 2004, the Emerging Issues Task Force, or EITF, reached consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments", or EITF 03-1. EITF 03-1 provides guidance on determining when an investment is considered impaired, whether that impairment is other than temporary and the measurement of an impairment loss. EITF 03-1 is applicable to marketable debt and equity securities within the

25

scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", or SFAS 115, and SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", and equity securities that are not subject to the scope of SFAS 115 and not accounted for under the equity method of accounting. In September 2004, the FASB issued FSP EITF 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, 'The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments'", which delays the effective date for the measurement and recognition criteria contained in EITF 03-1 until final application guidance is issued. The delay does not suspend the requirement to recognize other-than-temporary impairments as required by existing authoritative literature. The adoption of EITF 03-1 is not expected to have a material impact on our results of operations and financial position.

In May 2004, the staff of the FASB issued FASB Staff Position ("FSP") No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which superseded FSP No. FAS 106-1. This FSP provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") for employers that sponsor postretirement health care plans that provide prescription drug benefits. This FSP also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Act (the "Subsidy"). The guidance in this FSP related to the accounting for the Subsidy applies only to the sponsor of a single-employer defined benefit postretirement health care plan for which (a) the employer has concluded that prescription drug benefits available under the plan to some or all participants for some or all future years are "actuarially equivalent" to Medicare Part D and thus qualify for the Subsidy under the Act and (b) the expected Subsidy will offset or reduce the employer's share of the cost of the underlying postretirement prescription drug coverage on which the Subsidy is based. This FSP also provides guidance for the disclosures about the effects of the Subsidy for an employer that sponsors a postretirement health care benefit plan that provides prescription drug coverage but for which the employer has not yet been

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

able to determine actuarial equivalency. This FSP is effective for the first interim period beginning after June 15, 2004. The adoption of FSP FAS 106-2 did not have a material effect on the Company's consolidated financial statements. See Note 16 of Notes to Consolidated Financial Statements.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and spoilage. This statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" which was the criterion specified in ARB No. 43. In addition, this Statement requires that allocation of fixed production overheads to the cost of production be based on normal capacity of the production facilities. This pronouncement is effective for the fiscal years beginning after June 15, 2005. The Company has not yet assessed the impact of adopting this new standard.

In December 2004, the FASB issued SFAS No. 123 (revised 2004). Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees and amends SFAS No. 95, Statement of Cash Flows. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The new standard will be effective for the Company in the first interim or annual reporting period beginning after June 15, 2005, which is the

26

fourth quarter of fiscal 2005. The Company has not yet assessed the impact of adopting this new standard.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data

See Consolidated Financial Statements and Schedules included in Part IV, Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and

Financial Disclosure

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act within ninety (90) days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Chief Financial Officer, who concluded that the Company's disclosure controls and procedures are effective. The Company's Director of Internal Audit and Principal Accounting Officer also participated in this evaluation. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Item 9B. Other Information

None.

27

Part III

Item 10. Directors and Executive Officers of the Registrant

The information required in response to this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the captions "Nominees as a Director of the Company" and "Executive Officers of the Company" and such information is incorporated herein by reference.

Item 11. Executive Compensation

The information required in response to this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the caption "Executive Compensation" and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and

Related Stockholder Matters

The information required in response to this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A under introductory paragraphs and under the captions "Principal Shareholders" and "Securities Owned by Management" and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required in response to this item is contained in the Company's

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

definitive proxy statement to be filed pursuant to Regulation 14A under the captions "Executive Compensation" and "Certain Transactions" and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required in response to this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the captions "Audit Fees," "Audit Related Fees," "Tax Fees" and "All Other Fees."

28

Part IV

Item 15. Exhibits and Financial Statement Schedules

a.1.	Audited financial statements and supplementary data	Page No.
	Report of Independent Registered Public Accounting Firm	F-1
	Foodarama Supermarkets, Inc. and Subsidiaries Consolidated Financial Statements:	
	Balance Sheets as of October 30, 2004 and November 1, 2003	F-2 to F-3
	Statements of Operations for each of the fiscal years ended, October 30, 2004, November 1, 2003 and November 2, 2002.	F-4
	Statements of Shareholders' Equity for each of the fiscal years ended October 30, 2004, November 1, 2003 and November 2, 2002.	F-5
	Statements of Cash Flows for each of the fiscal years ended October 30, 2004, November 1, 2003 and November 2, 2002.	F-6
	Notes to Consolidated Financial Statements	F-7 to F-40
a.2.	Financial Statement Schedules	
	Schedule II	S-1
	Schedules other than Schedule II have been omitted because they are not applicable.	
a.3.	Management Contracts and/or Compensatory Plans	
	Management contracts and/or compensatory plans or arrangements have been identified in the Index to Exhibits beginning on page E-1 herein.	
b.	Exhibits E-1 to E-16	

Reference is made to the Index of Exhibits beginning on page E-1

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

herein.

29

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FOODARAMA SUPERMARKETS, INC.
(Registrant)

/s/ Michael Shapiro

Michael Shapiro
Senior Vice President,
Chief Financial Officer

/s/ Thomas H. Flynn

Thomas H. Flynn
Vice President
Principal Accounting Officer

Date: January 27, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name ----	Title -----	Date ----
/s/ Joseph J. Saker ----- Joseph J. Saker	Chairman of the Board of Directors	January 27, 2005
/s/ Richard J. Saker ----- Richard J. Saker	Chief Executive Officer, President and Director	January 27, 2005
/s/ Charles T. Parton ----- Charles T. Parton	Director	January 27, 2005
/s/ Albert A. Zager ----- Albert A. Zager	Director	January 27, 2005
/s/ Robert H. Hutchins ----- Robert H. Hutchins	Director	January 27, 2005

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Foodarama Supermarkets, Inc.
Howell, New Jersey

We have audited the accompanying consolidated balance sheets of Foodarama Supermarkets, Inc. and Subsidiaries as of October 30, 2004 and November 1, 2003 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal years ended October 30, 2004, November 1, 2003 and November 2, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Foodarama Supermarkets, Inc. and Subsidiaries as of October 30, 2004 and November 1, 2003, and the results of their operations and their cash flows for the fiscal years ended October 30, 2004, November 1, 2003 and November 2, 2002, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, during the year ended November 1, 2003 the Company changed its method of accounting for goodwill in accordance with the adoption of SFAS 142 "Goodwill and Other Intangible Assets."

In connection with our audits of the financial statements referred to above, we audited the financial schedule listed under Item 14. In our opinion, the financial schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

/S/ AMPER, POLITZINER & MATTIA, P.C.

January 27, 2005
Edison, New Jersey

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
October 30, 2004 and November 1, 2003
(In thousands)

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

	2004	2003
	----	----
Assets		
Current assets		
Cash and cash equivalents	\$ 6,001	\$ 5,252
Merchandise inventories	57,123	49,224
Receivables and other current assets	8,456	12,043
Prepaid and refundable income taxes	170	3,404
Related party receivables - Wakefern	14,799	13,684
	-----	-----
	86,549	83,607
	-----	-----
Property and equipment		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	60,488	49,039
Equipment	161,554	142,021
Property under capital leases	152,354	130,420
Construction in progress	60	6,846
	-----	-----
	375,984	329,854
Less accumulated depreciation and amortization	140,138	122,339
	-----	-----
	235,846	207,515
	-----	-----
Other assets		
Investments in related parties	17,655	16,173
Goodwill	1,715	1,715
Intangible assets, net	1,493	1,098
Other	3,339	3,264
Related party receivables - Wakefern	2,039	1,874
	-----	-----
	26,241	24,124
	-----	-----
	\$ 348,636	\$ 315,246
	=====	=====

See notes to consolidated financial statements.

F-2

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets - (continued)
October 30, 2004 and November 1, 2003
(In thousands)

	2004	2003
	-----	-----
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 8,415	\$ 7,916
Current portion of long-term debt, related party	867	920
Current portion of obligations under capital leases	1,727	1,622
Current income taxes payable	408	1,415
Deferred income taxes	1,579	2,162
Accounts payable		
Related party - Wakefern	39,639	37,506

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Others	14,384	14,622
Accrued expenses	15,236	13,485
	-----	-----
	82,255	79,648
	-----	-----
Long-term debt	63,051	55,335
Long-term debt, related party	3,590	3,055
Obligations under capital leases	142,504	122,159
Deferred income taxes	2,292	2,749
Other long-term liabilities	13,711	13,278
	-----	-----
	225,148	196,576
	-----	-----
Commitments and Contingencies (Note 14)		

Shareholders' equity		
Common stock, \$1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 987,617 shares October 30, 2004; 986,867 shares November 1, 2003		
	1,622	1,622
Capital in excess of par	4,168	4,168
Deferred compensation	(580)	(952)
Retained earnings	51,339	49,539
Accumulated other comprehensive income		
Minimum pension liability	(3,140)	(3,164)
	-----	-----
	53,409	51,213
Less 634,150 shares October 30, 2004; 634,900 shares November 1, 2003, held in treasury, at cost	12,176	12,191
	-----	-----
	41,233	39,022
	-----	-----
	\$ 348,636	\$ 315,246
	=====	=====

See notes to consolidated financial statements.

F-3

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Fiscal Years Ended October 30, 2004, November 1, 2003 and November 2, 2002
(In thousands, except per share data)

	2004	2003	2002
	----	----	----
Sales	\$1,175,199	\$ 1,049,653	\$ 963,611
Cost of goods sold	865,280	776,656	718,520
	-----	-----	-----
Gross profit	309,919	272,997	245,091
Selling, general and administrative expenses	290,765	256,932	231,653
	-----	-----	-----
Earnings from operations	19,154	16,065	13,438

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Other income (expense)			
Interest expense	(16,392)	(12,399)	(8,184)
Interest income	141	139	148
	(16,251)	(12,260)	(8,036)
Earnings before income tax provision	2,903	3,805	5,402
Income tax provision	(1,103)	(1,522)	(2,162)
Net income	\$ 1,800	\$ 2,283	\$ 3,240
Per share information			
Net income per common share			
Basic	\$ 1.82	\$ 2.31	\$ 3.16
Diluted	\$ 1.75	\$ 2.26	\$ 3.01
Weighted average shares outstanding			
Basic	987,132	986,789	1,024,235
Diluted	1,030,167	1,011,350	1,076,030

See notes to consolidated financial statements.

F-4

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Fiscal Years Ended October 30, 2004, November
1, 2003 and November 2, 2002
(In thousands, except per share data)

	Common Stock		Capital in Excess of Par	Deferred Compensation	Accumulated Other Compre- hensive Income		Compre- hensive Income	Re Ea
	Shares Issued	Amount						
Balance - November 3, 2001	1,621,767	\$ 1,622	\$4,168	\$ (1,696)	\$ (1,920)			\$
Amortization of deferred compensation	-	-	-	372	-			
Issuance of common stock	-	-	-	-	-			
Repurchase of common stock	-	-	-	-	-			
Comprehensive income								
Net income 2002	-	-	-	-	-		3,240	
Other comprehensive income								
Minimum pension liability, net of deferred tax	-	-	-	-	(976)		(976)	
Comprehensive income							\$ 2,264	
Balance - November 2, 2002	1,621,767	1,622	4,168	(1,324)	(2,896)			
Amortization of deferred compensation	-	-	-	372	-			
Issuance of common stock	-	-	-	-	-			

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Comprehensive income							
Net income 2003	-	-	-	-	-	2,283	
Other comprehensive income							
Minimum pension liability, net of deferred tax	-	-	-	-	(268)	(268)	
	-----	-----	-----	-----	-----	-----	
Comprehensive income						\$ 2,015	
						=====	
Balance - November 1, 2003	1,621,767	1,622	4,168	(952)	(3,164)		4
Amortization of deferred compensation	-	-	-	372	-		
Issuance of common stock	-	-	-	-	-		
Comprehensive income							
Net income 2004	-	-	-	-	-	1,800	
Other comprehensive income							
Minimum pension liability, net of deferred tax	-	-	-	-	24	24	
	-----	-----	-----	-----	-----	-----	
Comprehensive income						\$ 1,824	
						=====	
Balance - October 30, 2004	1,621,767	\$ 1,622	\$4,168	\$ (580)	\$ (3,140)		\$ 5
	=====	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

F-5

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Fiscal Years Ended October 30, 2004, November 1, 2003 and November 2, 2002
(In thousands)

	2004	2003	2002
	----	----	----
Cash flows from operating activities			
Net income	\$ 1,800	\$ 2,283	\$ 3,240
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	20,634	17,096	14,175
Non cash impairment charge	1,198	-	-
Amortization, goodwill	-	-	140
Amortization, intangibles	141	192	211
Amortization, deferred financing costs	695	577	342
Amortization, deferred rent escalation	(288)	(294)	(230)
Provision to value inventory at LIFO	1,005	715	397
Deferred income taxes	(1,057)	2,515	946
Amortization of deferred compensation	358	357	270
(Increase) decrease in			
Merchandise inventories	(8,904)	(6,232)	(1,277)
Receivables and other current assets	(907)	(505)	(781)
Prepaid and refundable income taxes	3,234	(3,147)	(257)
Other assets	(457)	227	(453)
Related party receivables - Wakefern	(1,280)	(4,920)	(75)
Increase (decrease) in			
Accounts payable	1,895	6,115	1,245
Income taxes payable	(1,007)	1,415	(704)
Other liabilities	2,560	1,463	(1,713)
	-----	-----	-----
	19,620	17,857	15,476

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Cash flows from investing activities			
Cash paid for the purchase of property and equipment	(27,744)	(29,267)	(7,858)
Cash paid for construction in progress	(24)	(4,336)	(13,161)
Decrease in construction advance due from landlords	17,127	4,975	1,932
Increase in construction advance due from landlords	(12,633)	(6,128)	(6,070)
Payment for purchase of acquired store assets	(1,000)	-	-
Deposits on equipment	-	-	(829)
Decrease in related party receivables - other	-	-	18
	(24,274)	(34,756)	(25,968)
Cash flows from financing activities			
Proceeds from issuance of debt	16,359	27,853	22,961
Principal payments under long-term debt	(8,144)	(7,505)	(4,742)
Principal payments under capital lease obligations	(1,484)	(1,518)	(1,060)
Principal payments under long-term debt, related party	(1,000)	(755)	(897)
Deferred financing and other costs	(343)	(214)	(1,205)
Proceeds from exercise of stock options	15	10	20
Repurchase of common stock	-	-	(4,524)
	5,403	17,871	10,553
Net change in cash and cash equivalents	749	972	61
Cash and cash equivalents, beginning of year	5,252	4,280	4,219
Cash and cash equivalents, end of year	\$ 6,001	\$ 5,252	\$ 4,280
Supplemental disclosures of cash paid			
Interest	\$16,286	\$ 12,374	\$ 8,125
Income taxes, net of refunds	\$ (61)	\$ 751	\$ 2,188

See notes to consolidated financial statements.

F-6

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per share amounts)

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Foodarama Supermarkets, Inc. and Subsidiaries (the "Company"), operate 26 ShopRite supermarkets, primarily in Central New Jersey. The Company is a member of Wakefern Food Corporation ("Wakefern"), the largest retailer-owned food cooperative in the United States.

Fiscal Year

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

The Company's fiscal year ends on the Saturday closest to October 31. Fiscal 2004 consists of the 52 weeks ended October 30, 2004, fiscal 2003 consists of the 52 weeks ended November 1, 2003 and fiscal 2002 consists of the 52 weeks ended November 2, 2002.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

Revenue from the sale of products are recognized at the point of sale to the customer. Discounts provided to customers through ShopRite coupons at the point of sale are recognized as a reduction of sales as the products are sold.

From time to time the Company initiates customer loyalty programs which allow customers to earn points for each purchase completed during a specified time period. Points earned enable customers to receive a certificate that may be redeemed on future purchases. The Company accounts for its customer loyalty programs in accordance with Emerging Issues Task Force (EITF) Issue No. 00-22, "Accounting for "Points" and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future". The value of points earned by our loyalty program customers is included as a liability and a reduction of revenue at the time the points are earned based on the percentage of points that are projected to be redeemed.

Industry Segment

The Company operates in one industry segment, the retail sale of food and nonfood products, primarily in the Central New Jersey region.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Fair Value of Financial Instruments

Cash and cash equivalents, receivables and accounts payable are reflected in the consolidated financial statements at carrying value which approximates fair value because of the short-term maturity of these instruments. The fair value of long-term debt was approximately equivalent to its carrying value, due to the fact that the interest

F-7

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Tabular dollars in thousands, except per share amounts)

Note 1 - Summary of Significant Accounting Policies - (continued)

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Fair Value of Financial Instruments (continued)

rates currently available to the Company for debt with similar terms are approximately equal to the interest rates for its existing debt. As the Company's investments in Wakefern can only be sold to Wakefern for approximately the amount invested, it is not practicable to estimate the fair value of such stock. Determination of the fair value of related party receivables and long-term debt - related party is not practicable due to their related party nature.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. At October 30, 2004 and November 1, 2003 approximately 82% and 81%, respectively, of merchandise inventories, consisting primarily of grocery and nonfood items, are valued by the LIFO (last-in, first-out) method of inventory valuation while the remaining inventory items are valued by the FIFO (first-in, first-out) method with cost being determined under the retail method.

If the FIFO method had been used for the entire inventory, inventory at October 30, 2004 and November 1, 2003 would have been \$3,740,000 and \$2,735,000 higher, respectively.

Vendor Allowances and Rebates and Cost of Goods Sold

The Company receives vendor allowances and rebates, including 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 goods sold when the related merchandise is sold or when the contractual requirements have been satisfied.

Cost of goods sold includes the costs of inventory sold and the related purchase, inbound freight and distribution costs. Cost of goods sold excludes depreciation and amortization which is included in selling general and administrative expenses in the consolidated statements of operations.

Selling, General and Administrative Expense

Selling, general and administrative expense consists primarily of depreciation, amortization, advertising expense, payroll including related fringe and employee benefit expenses, utilities expense, rent, common area maintenance and other occupancy charges and other expenses.

Property and Equipment

Property and equipment is stated at cost and is depreciated on a straight-line basis over the estimated useful lives ranging between three and ten years for equipment, the shorter of the useful life or lease term for leasehold improvements, and twenty years for buildings. Repairs and maintenance are expensed as incurred.

F-8

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

(Tabular dollars in thousands, except per share amounts)

Note 1 Summary of Significant Accounting Policies - (continued)

Property and Equipment (continued)

Property and equipment under capital leases are recorded at the lower of fair market value or the net present value of the minimum lease payments. They are depreciated on a straight-line basis over the shorter of the related lease terms or its useful life.

Investments

The Company's investments in its principal supplier, Wakefern, and in Insure-Rite Ltd., are stated at cost (see Note 4).

Goodwill

Effective November 3, 2002, the Company implemented Statement of Financial Accounting Standards ("SFAS") No. 142, "Accounting for Goodwill and Other Intangible Assets." Under SFAS 142, the Company ceased amortization of goodwill and tests at least annually for impairment at the reporting unit level. The Company has determined that it is contained within one reporting unit, and as such, impairment is tested at the company level. During fiscal 2004 and 2003, the Company completed goodwill impairment tests prescribed by SFAS 142 and concluded that no impairment of goodwill existed.

Prior to the adoption of SFAS 142, the Company amortized goodwill over its estimated useful life and evaluated goodwill for impairment in conjunction with its other long-lived assets.

Intangible Assets

Other intangible assets consist of favorable operating lease costs and liquor licenses. The favorable operating lease costs are being amortized on a straight-line basis over the terms of the related leases, which range from 6 to 24 years. The liquor licenses are not amortized since they have been determined to have an indefinite useful life. The Company reviews the value of its intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate.

Long-Lived Assets

The Company reviews long-lived assets, on an individual store basis for impairment when circumstances indicate the carrying amount of an asset 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 an impairment is indicated, it is measured by comparing the discounted cash flows for the long-lived asset to its carrying value. In fiscal 2004, the Company recorded a non-cash impairment charge of \$1,198,000 to reduce the carrying value of leasehold improvements relating to one store. This charge is included in Selling, General and Administrative Expense in the accompanying consolidated statements of operations. Factors leading to impairment were a combination of historical losses, anticipated future losses and projected future negative cash flows for

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 1 Summary of Significant Accounting Policies - (continued)

Long-Lived Assets (continued)

the remaining term of the related stores' lease. The non-cash impairment charge represents the amount necessary to write down the carrying value of the leasehold improvements for the store to its' estimated fair value based on the Company's best estimate of the stores' future discounted operating cash flows. The Company did not record any impairment charges in fiscal 2003 or fiscal 2002.

Deferred Financing Costs

Deferred financing costs are being amortized over the life of the related debt using the effective interest method.

Postretirement Benefits other than Pensions

The Company accrues for the cost of providing postretirement benefits, principally supplemental income payments and limited medical benefits, over the working careers of the officers in the plan.

Postemployment Benefits

The Company accrues for the expected cost of providing postemployment benefits, primarily short-term disability payments, over the working careers of its employees.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$10.3, \$ 9.0 and \$8.6 million for the fiscal years 2004, 2003 and 2002, respectively.

Store Opening and Closing Costs

The costs of opening new stores are expensed as incurred. Costs related to closing stores are also charged to earnings as incurred. The Company estimates closed store liabilities, which are accrued and expensed upon the closing of a store, which include lease payments, real estate taxes, common area maintenance, and utility costs to be incurred over the remaining lease term, net of estimated sublease income, at the present value using a discount rate based on a credit adjusted risk-free rate. Adjustments to closed store liabilities primarily relate to changes in subtenants and actual exit costs differing from original estimates and are expensed in the period in which the change becomes known.

Minimum Pension Liability

The Company maintains two underfunded defined benefit pension plans covering administrative personnel and members of a union. The minimum pension liability for these plans is recorded in "Other long-term liabilities" and the related unrealized loss, net of income tax benefit, is included in accumulated other comprehensive income.

Comprehensive Income

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

FASB Statement 130, "Reporting Comprehensive Income," establishes standards for reporting and presentation of comprehensive income (loss) and its components in a full set of financial statements. For fiscal 2004, 2003 and 2002, comprehensive income

F-10

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 1 Summary of Significant Accounting Policies - (continued)

----- Comprehensive Income (continued) -----

consists of net income and the additional minimum pension liability adjustment, net of income tax benefit.

Stock Option Plan -----

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations in accounting for its employee stock options. Under this method, compensation cost is measured as the amount by which the market price of the underlying stock exceeds the exercise price of the stock option at the date at which both the number of options granted and the exercise price are known. Deferred compensation expense recorded at the date of grant is amortized over the vesting period of the related grant which approximates five years. Compensation expense related to stock performance units(as described in Note 11 as "Units") is measured based on the change in market price of the Company's common stock, the number of Units outstanding and the number of Units vested from one period to the next.

In accordance with SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation is as follows:

	Fiscal Year Ending		
	October 30, 2004	November 1, 2003	November 2, 2002
	----	----	----
Net income - as reported	\$ 1,800	\$ 2,283	\$ 3,240
Add:			
Stock-based employee compensation expense included in reported net income, net of related tax effects	221	223	223
Deduct:			
Adjustment to total stock-based employee compensation expense determined under the intrinsic value method for expense determined under the fair value based method, net of related tax effects	(305)	(303)	(302)
Pro forma net income	\$ 1,716	\$ 2,203	\$ 3,161
	=====	=====	=====

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Earnings per share:			
Basic, as reported	\$ 1.82	\$ 2.31	\$ 3.16
	=====		
Basic, pro forma	\$ 1.74	\$ 2.23	\$ 3.09
	=====		
Diluted, as reported	\$ 1.75	\$ 2.26	\$ 3.01
	=====		
Diluted, pro forma	\$ 1.67	\$ 2.18	\$ 2.94
	=====		

F-11

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 1 Summary of Significant Accounting Policies - (continued)

----- Stock Option Plan - (continued) -----

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at \$22.93 on the date of grant using the Black-Scholes option-pricing model.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The following weighted-average assumptions were used for the year ended November 3, 2001 based on date of grant:

Risk-free interest rate	5.0%
Expected volatility	40.2%
Dividend yield	0%
Expected life	5 years

Earnings Per Share -----

Earnings per common share are based on the weighted average number of common shares outstanding. Diluted earnings per share amounts are based on the weighted average number of common shares outstanding, plus the incremental shares that would have been outstanding upon the assumed exercise of all diluted stock options, subject to antidilution limitations.

Recent Accounting Pronouncements -----

In November 2003, the Emerging Issues Task Force (the "EITF") reached a consensus on EITF No. 03-10, "Application of Issue No. 02-16 by Resellers to Sales Incentives Offered to Consumers by Manufacturers." This issue addresses the accounting for manufacturer sales incentives

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

offered directly to consumers, including manufacturer coupons. The Company's policy is in accordance with EITF 03-10. The adoption of EITF No. 03-10 did not have any effect on our financial position or results of operations.

In December 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 132R (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits - an amendment of FASB Statements No. 87, 88, and 106" ("SFAS 132"). The revised Statement retains the disclosure requirements contained in SFAS 132 before the amendment but requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The annual disclosure requirements under this

F-12

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per share amounts)

Note 1 Summary of Significant Accounting Policies - (continued)

Recent Accounting Pronouncements (continued)

Statement are effective for the Company's fiscal year ending October 30, 2004, and the quarterly disclosure requirements were effective for the Company's interim periods beginning with the second quarter ending May 1, 2004. The implementation of SFAS 132, as revised in 2003, did not have a material impact on the Company's consolidated financial statements (See Note 15).

In December 2003, FASB issued a revised interpretation of FIN 46 (FIN 46-R), which supercedes FIN 46 and clarifies and expands current accounting guidance for variable interest entities. FIN 46 and FIN 46-R are effective immediately for all variable interest entities created after January 31, 2003, and for variable interest entities prior to February 1, 2003, no later than the end of the first reporting period after March 15, 2004. The adoption of FIN 46 and FIN 46-R did not have a material impact on the Company's financial reporting and disclosure.

In March 2004, the Emerging Issues Task Force, or EITF, reached consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments", or EITF 03-1. EITF 03-1 provides guidance on determining when an investment is considered impaired, whether that impairment is other than temporary and the measurement of an impairment loss. EITF 03-1 is applicable to marketable debt and equity securities within the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", or SFAS 115, and SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", and equity securities that are not subject to the scope of SFAS 115 and not accounted for under the equity method of accounting. In September 2004, the FASB issued FSP EITF 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, 'The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments'", which delays the effective date for the measurement and recognition criteria contained in EITF 03-1 until final application guidance is issued. The delay does not suspend the requirement to recognize other-than-temporary impairments as required by existing authoritative literature. The adoption of EITF 03-1 is not expected to have a material impact on our results of operations and financial position.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

In May 2004, the staff of the FASB issued FASB Staff Position ("FSP") No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which superseded FSP No. FAS 106-1. This FSP provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") for

F-13

Note 1 Summary of Significant Accounting Policies - (continued)

Recent Accounting Pronouncements (continued)

employers that sponsor postretirement health care plans that provide prescription drug benefits. This FSP also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Act (the "Subsidy"). The guidance in this FSP related to the accounting for the Subsidy applies only to the sponsor of a single-employer defined benefit postretirement health care plan for which (a) the employer has concluded that prescription drug benefits available under the plan to some or all participants for some or all future years are "actuarially equivalent" to Medicare Part D and thus qualify for the Subsidy under the Act and (b) the expected Subsidy will offset or reduce the employer's share of the cost of the underlying postretirement prescription drug coverage on which the Subsidy is based. This FSP also provides guidance for the disclosures about the effects of the Subsidy for an employer that sponsors a postretirement health care benefit plan that provides prescription drug coverage but for which the employer has not yet been able to determine actuarial equivalency. This FSP is effective for the first interim period beginning after June 15, 2004. The adoption of FSP FAS 106-2 did not have a material effect on the Company's consolidated financial statements (See Note 16).

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs", an amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and spoilage. This statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" which was the criterion specified in ARB No. 43. This pronouncement is effective for the fiscal years beginning after June 15, 2005. The Company has not yet assessed the impact on adopting this new standard.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment", which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows". Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The new standard will be effective for the Company in the first interim or annual reporting period beginning after June 15, 2005, which is the fourth quarter of fiscal 2005. The Company has not yet assessed the impact on adopting this new standard.

Note 2 Concentration of Cash Balance

As of October 30, 2004 and November 1, 2003, cash balances of

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

approximately \$1,103,000 and \$2,547,000, respectively, were maintained in bank accounts insured by the Federal Deposit Insurance Corporation (FDIC). These balances exceed the insured amount of \$100,000.

F-14

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 3 Receivables and Other Current Assets

	October 30, 2004 ----	November 1, 2003 ----
Accounts receivable	\$ 5,035	\$ 4,198
Construction advance due from Landlords	797	5,291
Prepays	2,786	2,720
Rents receivable	1,204	817
Less allowance for uncollectible accounts	(1,366)	(983)
	----- \$ 8,456 =====	----- \$ 12,043 =====

Note 4 Related Party Transactions

Wakefern Food Corporation

As required by Wakefern's By-Laws, all members of the cooperative are required to make an investment in the common stock of Wakefern for each supermarket operated ("Store Investment Program"), with the exact amount per store computed in accordance with a formula based on the volume of each store's purchases from Wakefern. The maximum required investment per store was \$650,000 at October 30, 2004 and at November 1, 2003 and \$550,000 at November 2, 2002. During fiscal 2003, the required investment in Wakefern increased, resulting in a total increase in the investment by \$2,088,000 and a related increase in the obligations due Wakefern for the same amount. This increase in the obligation is non-interest bearing and is payable over three years. The remaining increase in the investment in fiscal 2003, and obligation due Wakefern for the same amount was due to the opening of two new stores. The obligations related to the two new stores are non-interest bearing and are payable over seven years. The increase in the investment in fiscal 2004 of \$1,351,000, and related obligation due Wakefern for the same amount, was due to the opening of a new store, the replacement of an existing store and the acquisition of a store from Wakefern. The obligations related to the increase in the investment in fiscal 2004 are non-interest bearing and are payable over seven years. The Company has an investment in Wakefern of \$16,444,000 at October 30, 2004 and \$15,093,000 at November 1, 2003, representing a 15.5% and 15.6% interest in Wakefern, respectively. Wakefern is operated on a cooperative basis for its members. The shares of stock in Wakefern are assigned to and held by Wakefern as collateral for any obligations due Wakefern. In addition, any obligations to Wakefern are personally guaranteed by certain of the Company's shareholders who also serve as officers.

The Company also has an investment of approximately 8.5% in Insure-Rite, Ltd., a company affiliated with Wakefern, which was \$1,211,000 at October 30, 2004 and \$1,080,000 at November 1, 2003.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

During fiscal 2003, the Company's obligation to invest in Insure-Rite, Ltd. increased \$127,000, as a result of the opening of two new stores. This obligation is payable over three years and is non-interest bearing. During

F-15

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 4 Related Party Transactions - (continued)

Wakefern Food Corporation - (continued)

fiscal 2004, the Company's obligation to invest in Insure-Rite, Ltd. increased \$131,000, as a result of the opening of a new store and the acquisition of a store. This obligation is payable over three years and is non-interest bearing. Insure-Rite, Ltd. provides the Company with a portion of its liability insurance coverage with the balance paid through Wakefern to private insurers. Insurance premiums paid to Wakefern, including amounts due to Insure-Rite, Ltd., were \$5,014,000, \$4,599,000 and \$4,364,000 for fiscal years 2004, 2003 and 2002, respectively. As of October 30, 2004 and November 1, 2003, the Company was obligated to Wakefern for \$4,457,000 and \$3,975,000, respectively, for increases in its required investments (see Note 8).

As a stockholder member of Wakefern, the Company earns a share of an annual Wakefern patronage dividend. The dividend is based on the distribution of operating profits on a pro rata basis in proportion to the dollar volume of business transacted by each member with Wakefern during each fiscal year. It is the Company's policy to accrue quarterly an estimate of the annual patronage dividend. The Company reflects the patronage dividend as a reduction of the cost of goods sold in the consolidated statements of operations. In addition, the Company also receives from Wakefern other product incentives and rebates. For fiscal 2004, 2003 and 2002, total patronage dividends and other product incentives and rebates were \$14,736,000, \$12,404,000 and \$10,706,000, respectively.

At October 30, 2004 and November 1, 2003, the Company has current receivables due from Wakefern of approximately \$14,799,000 and \$13,684,000, respectively, representing patronage dividends, vendor rebates, coupons and other receivables due in the ordinary course of business and a noncurrent receivable representing a deposit of approximately \$2,039,000 and \$1,874,000, respectively.

In September 1987, the Company and all other stockholder members of Wakefern entered into an agreement with Wakefern, as amended in 1992, which provides for certain commitments and restrictions on all stockholder members of Wakefern. The agreement contains an evergreen provision providing for an indefinite term and is subject to termination ten years after the approval of 75% of the outstanding voting stock of Wakefern. Under the agreement, each stockholder, including the Company, agreed to purchase at least 85% of its merchandise in certain defined product categories from Wakefern and, if it fails to meet such requirements, to make payments to Wakefern based on a formula designed to compensate Wakefern for its lost profit. Similar payments are due if Wakefern loses volume by reason of the sale of one or more of a stockholder's stores, merger with another entity or on the transfer of a controlling interest in the stockholder.

The Company fulfilled its obligation to purchase a minimum of 85% in

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

certain defined product categories from Wakefern for all periods presented. The Company's merchandise purchases from Wakefern, including direct store delivery vendors processed by Wakefern, approximated \$837, \$715 and \$641 million for the fiscal years 2004, 2003 and 2002, respectively.

F-16

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 4 Related Party Transactions - (continued)

Wakefern Food Corporation - (continued)

Wakefern charges the Company for, and provides the Company with support services in numerous administrative functions. These services include advertising, supplies, technical support for communications and in-store computer systems, equipment purchasing, the coordination of coupon processing and other miscellaneous services. These charges were \$2.3, \$2.2 and \$2.1 million for fiscal years 2004, 2003 and 2002, respectively.

In addition to its investment in Wakefern, which carries only voting rights, the Company's President serves as a member of Wakefern's Board of Directors and its finance committee. Several of the Company's officers and employees also hold positions on various Wakefern committees.

Note 5 Goodwill and Other Intangible Assets

Goodwill is not amortized but is tested for impairment on an annual basis and between annual tests in certain circumstances. In accordance with SFAS 142, which was adopted in fiscal 2003, the Company determined it has one reporting unit. During fiscal 2004 and fiscal 2003, the Company completed goodwill annual impairment tests prescribed by SFAS 142 and concluded that no impairment of goodwill existed.

The gross carrying amount and accumulated amortization of the Company's other intangible assets as of October 30, 2004 and November 1, 2003 are as follows:

	October 30, 2004		November 1, 2003	
	-----		-----	
	Gross		Gross	
	Carrying	Accumulated	Carrying	Accumulated
	Amount	Amortization	Amount	Amortization
	-----	-----	-----	-----
Amortized Intangible Assets				
Bargain Leases	\$ 4,454	\$ 3,181	\$ 3,918	\$ 3,040
Unamortized Intangible Assets				
Liquor Licenses	220	-	220	-
	-----	-----	-----	-----
Total	\$ 4,674	\$ 3,181	\$ 4,138	\$ 3,040
	=====	=====	=====	=====

Amortization expense recorded on the intangible assets for the years ended October 30, 2004, November 1, 2003 and November 2, 2002 was \$141,000, \$192,000 and \$211,000, respectively. As a result of the adoption of SFAS 142, there were no changes to amortizable lives or amortization methods. The estimated amortization expense for the Company's other intangible assets for the five succeeding fiscal years

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

is as follows:

Fiscal Year	(In thousands)
-----	-----
2005	\$ 189
2006	189
2007	189
2008	189
2009	189
Thereafter	328
	F-17

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 5 Goodwill and Other Intangible Assets - (continued)

The following tables illustrate net income available to common shareholders and earnings per share, exclusive of goodwill amortization expense in the prior periods:

	October 30, 2004 ----	November 1, 2003 ----	November 2, 2002 ----
Reported net income	\$ 1,800	\$ 2,283	\$ 3,240
Add: Goodwill amortization	-	-	211
Adjusted net income	<u>\$ 1,800</u>	<u>\$ 2,283</u>	<u>\$ 3,451</u>
	=====	=====	=====
Basic earnings per share:			
Reported net income	\$ 1.82	\$ 2.31	\$ 3.16
Add: Goodwill amortization	-	-	.21
Adjusted net income	<u>\$ 1.82</u>	<u>\$ 2.31</u>	<u>\$ 3.37</u>
	=====	=====	=====
Diluted earnings per share:			
Reported net income	\$ 1.75	\$ 2.26	\$ 3.01
Add: Goodwill amortization	-	-	.20
Adjusted net income	<u>\$ 1.75</u>	<u>\$ 2.26</u>	<u>\$ 3.21</u>
	=====	=====	=====

Note 6 Accrued Expenses

	October 30, 2004 ----	November 1, 2003 ----
Payroll and payroll related expenses	\$ 8,129	\$ 7,462
Insurance	611	713
Sales, use and other taxes	1,455	1,371
Interest	253	147
Employee benefits	1,504	1,445
Occupancy cost	672	1,205
Professional fees and shareholder lawsuit (Note 14)	879	307

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Real estate taxes	1,448	618
Other	285	217
	-----	-----
	\$ 15,236	\$ 13,485
	=====	=====

F-18

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 7 Long-term Debt

Long-term debt consists of the following:

	October 30, 2004	November 1, 2003
	----	----
Revolving note	\$ 30,592	\$ 24,592
Term loan	15,000	20,000
Capital expenditure facility	20,000	10,741
Other notes payable	5,874	7,918
	-----	-----
	71,466	63,251
Less current portion	8,415	7,916
	-----	-----
	\$ 63,051	\$ 55,335
	=====	=====

The Company has a revolving credit and term loan agreement, which was amended and assigned to three financial institutions on January 7, 2000. On September 26, 2002 the Credit Agreement was further amended and restated (as amended, the "Credit Agreement") and was last amended October 21, 2004. The Credit Agreement is collateralized by substantially all of the Company's assets, provides for a total commitment of \$80,000,000 and matures December 31, 2007. The Credit Agreement provides the Company with the option to convert portions of the debt to Eurodollar loans, as defined in the Credit Agreement, which have interest rates indexed to LIBOR. The Credit Agreement consists of a Revolving Note, a Term Loan and a Capital Expenditure Facility.

The Revolving Note has an overall availability of \$35,000,000, not to exceed 65% of eligible inventory, and provides for availability of up to \$4,500,000 for letters of credit. During fiscal 2004 and 2003, this provision of the Credit Agreement was amended several times to allow the Company the ability to borrow from \$3,000,000 to \$6,000,000 in excess of the borrowing base limitation, subject to available in transit cash, as defined. As of October 30, 2004, the Credit Agreement, as last amended on October 21, 2004, provided the Company the ability to borrow up to a maximum of \$41,000,000 under the Revolving Note subject to eligible inventory and in transit cash of up to \$6,000,000.

This provision expired January 15, 2005 at which time overall availability returned to \$35,000,000. The Revolving Note bears interest at prime plus 1.50% or LIBOR plus 3.25%. At October 30, 2004, \$22,000,000 of the Revolving Note was under a one-month Eurodollar rate of 5.09% maturing November 2004, which was renewed through January 2005 at 5.60%. At November 1, 2003, \$14,000,000 of the Revolving Note was under a one-month Eurodollar rate of 4.37%.

The Company had letters of credit outstanding of \$1,176,064 and \$726,004 at October 30, 2004 and November 1, 2003, respectively. A

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

commitment fee of .5% is charged on the unused portion of the Revolving Note. Available credit under the Revolving Note was \$1,971,000 and \$3,382,000 at October 30, 2004 and November 1, 2003.

F-19

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 7 Long-term Debt - (continued)

Subsequent to October 30, 2004 the, letters of credit outstanding were reduced to \$740,000.

The Term Loan, originally \$25,000,000, is payable in quarterly principal installments of \$1,250,000 commencing January 1, 2003 through October 1, 2007. Interest is payable monthly at prime plus 2.00% or LIBOR plus 3.75%. At October 30, 2004 and November 1, 2003 the Company had \$15,000,000 and \$20,000,000 outstanding, respectively, on the Term Loan. At October 30, 2004, \$13,750,000 was under a six month Eurodollar rate of 5.79% maturing January 2005 and \$1,250,000 was under a one month Eurodollar rate of 5.59% maturing November 2004, which was renewed through December 2004 at 5.81%. At November 1, 2003, \$17,500,000 of the Term Loan balance was under a six month Eurodollar rate of 4.91% and \$2,500,000 was under a one month Eurodollar rate of 4.87%.

The \$20,000,000 Capital Expenditure Facility provides for a non-restoring commitment to fund equipment purchases for five new stores through December 31, 2004, with a maximum of \$4,000,000 per store. Interest only is due monthly at prime plus 2.00% or LIBOR plus 3.75% for any amount utilized through December 31, 2004. Amounts borrowed through December 31, 2004 will be converted to a term loan with interest payable monthly at rates described above and fixed quarterly principal payments, commencing April 1, 2005, calculated on a seven-year amortization schedule. A balloon payment is due at December 31, 2007 for amounts outstanding on the term loans. A commitment fee of .75% is charged on the unused portion of the Capital Expenditure Facility. At October 30, 2004 and November 1, 2003 the Company had \$20,000,000 and \$10,741,000 outstanding, respectively, on the Capital Expenditure Facility. At October 30, 2004, \$20,000,000 was under a three month Eurodollar rate of 5.79% maturing January 2005. At November 1, 2003, \$9,000,000 was under a three month Eurodollar rate of 4.90% and \$1,741,000 was at prime plus 2%. At October 30, 2004 there were no amounts available under this facility.

The Agreement places restrictions on dividend payments and requires the maintenance of debt service coverage and leverage ratios, as well as limitations on capital expenditures and new debt. For the years ended October 30, 2004 and November 1, 2003 the Company exceeded the limit by which pension plan liabilities may exceed plan assets of its defined benefit plans (see Note 15), which was waived by the financial institutions.

The prime rate at October 30, 2004 and November 1, 2003 was 4.75% and 4.00%, respectively.

F-20

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Note 7 Long-term Debt - (continued)

Other Notes Payable

Included in other notes payable are the following:

	October 30, 2004 ----	November 1, 2003 ----
Note payable to a financing institution, matured October 2004, payable at \$56,000 per month plus interest at 7.26%, collateralized by related equipment.	\$ -	\$ 663
Note payable to a financing institution, maturing February 2005, payable at \$46,000 per month including interest at 7.44%, collateralized by related equipment.	170	742
Note payable to a financing institution, maturing January 2010, payable at \$59,000 per month including interest at 6.45%, collateralized by related equipment.	3,162	3,652
Note payable to a financing institution, maturing October 2008, payable at \$37,000 per month including interest at 6.20%, collateralized by related equipment.	1,566	1,900
Note payable to a financing institution, maturing January 2009, payable at \$21,000 per month including interest at 6.20%, collateralized by related equipment.	956	-
Various equipment loans maturing through November 2004, payable at an aggregate monthly payment of \$152,000 including interest at rates ranging from 5.79% to 9.02%, collateralized by various equipment.	20	961
Total other notes payable	\$ 5,874	\$ 7,918
	=====	=====

F-21

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Tabular dollars in thousands, except per share amounts)

Note 7 Long-term Debt - (continued)

Aggregate maturities of long-term debt are as follows:

Fiscal Year	
2005	\$ 8,415
2006	9,009
2007	9,084
2008	44,042
2009	740
Thereafter	176

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Note 8 Long-term Debt, Related Party

As of October 30, 2004 and November 1, 2003, the Company was indebted for investments in Wakefern in the amount of \$4,457,000 and \$3,975,000, respectively. The debt is non-interest bearing and payable in scheduled installments as follows:

Fiscal Year	
2005	\$ 867
2006	981
2007	969
2008	505
2009	447
Thereafter	688

Note 9 Other Long-term Liabilities

	October 30, 2004	November 1, 2003
Deferred escalation rent	\$ 3,840	\$ 4,128
Minimum pension liability (Note 15)	5,442	5,516
Postretirement benefit cost (Note 16)	3,692	2,929
Other	737	705
	<u>\$ 13,711</u>	<u>\$ 13,278</u>
	=====	=====

Note 10 Long-term Leases

Capital Leases

	October 30, 2004	November 1, 2003
Real estate	\$ 152,354	\$ 130,420
Less accumulated amortization	26,655	20,594
	<u>\$ 125,699</u>	<u>\$ 109,826</u>
	=====	=====

F-22

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Tabular dollars in thousands, except per share amounts)

Note 10 Long-term Leases (continued)

Capital Leases (continued)

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of October 30, 2004:

Fiscal Year	
2005	\$ 15,943
2006	15,998
2007	15,568
2008	15,611
2009	15,998
Thereafter	275,163

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Total minimum lease payments	354,281
Less amount representing interest	210,050
Present value of net minimum lease payments	144,231
Less current maturities	1,727
Long-term maturities	\$ 142,504

Operating Leases

The Company is obligated under operating leases for rent payments expiring at various dates through 2028. Certain leases provide for the payment of additional rentals based on certain escalation clauses and eight leases require a further rental payment based on a percentage of the stores' annual sales in excess of a stipulated minimum. Percentage rent expense was \$26,000, \$95,000 and \$156,000 for the fiscal years 2004, 2003 and 2002, respectively. Under the majority of the leases, the Company has the option to renew for additional terms at specified rentals.

Total rental expense for all operating leases consists of:

	Fiscal 2004	Fiscal 2003	Fiscal 2002
Land and buildings	\$ 9,942	\$ 10,183	\$ 10,690
Less subleases	(4,602)	(3,586)	(3,147)
	\$ 5,340	\$ 6,597	\$ 7,543

The minimum rental commitments under all noncancellable operating leases reduced by income from noncancellable subleases at October 30, 2004, are as follows:

Fiscal Year	Land and Buildings	Income from Noncancellable Subleases	Net Rental Commitment
2005	\$ 10,160	\$ 2,695	\$ 7,465
2006	8,413	2,472	5,941
2007	7,497	2,072	5,425
2008	6,740	1,522	5,218
2009	5,641	885	4,756
Thereafter	25,856	697	25,159
	\$ 64,307	\$ 10,343	\$ 53,964

F-23

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per share amounts)

Note 10 Long-term Leases (continued)

Operating Leases (continued)

The Company is presently leasing one of its supermarkets, a garden center, which lease was terminated during fiscal 2004, and a liquor store from a partnership in which the Chairman of the Board has a controlling interest, at an annual aggregate rental of \$752,000, \$753,000 and \$744,000 for the fiscal years 2004, 2003 and 2002,

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

respectively.

Note 11 Stock Option Plan

On April 4, 2001, the Company's shareholders approved the Foodarama Supermarkets, Inc. 2001 Stock Incentive Plan (the "2001 Plan"). The 2001 Plan replaces the Foodarama Supermarkets, Inc. 1995 Stock Option Plan under which no options were granted.

The 2001 Plan originally provided for the issuance of up to 150,000 shares of Foodarama Supermarkets, Inc. Common Stock (subject to anti-dilution adjustment). On May 8, 2002 the Company's shareholders approved an amendment increasing the number of shares reserved for issuance under the 2001 Plan to 215,000 shares. No more than 50,000 shares of stock may be awarded to any one participant under the 2001 plan (see Note 14).

The types of awards that the Administrator may grant under the 2001 Plan are stock options, stock appreciation rights, restricted and non-restricted stock awards, phantom stock, performance awards, other stock grants or any combination of these awards.

On August 8, 2001 (the "2001 Grant Date"), the Company granted 107,500 shares as stock options and 11,000 shares in the form of Stock Performance Units (the "Units"). On September 12, 2002 (the "2002 Grant Date"), the Company granted an additional 3,800 shares in the form of Stock Performance Units. The Units represent deferred compensation based upon the increase or decrease in the market value of the Company's common stock during the grantee's employment.

The stock options consist of 50,000 shares granted to each of the Chairman of the Board and the President of the Company and vest quarterly from the grant date over a five-year period. The remaining 7,500 shares were granted to certain officers and elected board members of the Company and vest, per individual, 250 shares at the Grant Date and 250 shares each year thereafter for the next two to three years. During fiscal 2003, the Company's Chairman of the Board returned 10,000 stock options to the Company as part of a settlement of a derivative shareholder lawsuit (see Note 14).

The Units are payable in cash only. The Units granted on the 2001 Grant Date were granted to certain officers and senior management of the Company and vest, per individual, 250 units at the Grant Date and 250 units thereafter, for the next one to three years. Units granted at the 2002 Grant Date were granted to certain management personnel and vest, per individual, between 200 and 250 units at the 2002 Grant Date with the remaining units vesting in the next year.

The term of the stock options and Units granted expire ten years after the grant date. The exercise price of the options and the market price of the Company's Common Stock at the date of grant were \$19.60 and \$36.50, respectively, for the options and Units granted on August 8, 2001. The exercise price and market price for the Units granted September 12, 2002

F-24

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Tabular dollars in thousands, except per share amounts)

Note 11 Stock Option Plan - (continued)

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

was \$25.00. At the 2001 Grant Date, the Company recorded deferred compensation expense and a related adjustment to capital in excess of par of \$1,817,000 relating to the stock options granted. For each of the years ended October 30, 2004, November 1, 2003 and November 2, 2002, the Company realized compensation expense relating to the stock option plan of \$372,000. For the years ended October 30, 2004, November 1, 2003 and November 2, 2002, the Company realized compensation expense of \$84,000, compensation income of \$15,000 and compensation expense of \$72,000, respectively, related to the Units granted, based on the market price of the Company's common stock of \$37.50 at October 30, 2004, \$25.25 at November 1, 2003 and \$27.00 at November 2, 2002.

The following table summarizes Stock Option and Units activity:

	Options Outstanding						
	Stock Options			Stock Performance Units			
	Shares	Exercise Price	Weighted Average Exercise Price	Units	Per Share	Weighted Average Exercise Price	Stock Options and Units Available for Grant
	-----	-----	-----	-----	-----	-----	-----
Outstanding November 3, 2001	107,500	\$19.60	\$19.60	11,000	\$19.60	\$19.60	31,500
Additional shares reserved							65,000
Granted	-	-	-	3,800	25.00	25.00	(3,800)
Exercised	(1,000)	19.60	19.60	(8,000)	19.60	19.60	-

Outstanding November 2, 2002	106,500	\$19.60	\$19.60	6,800	\$19.60 to \$22.62 \$25.00		92,700

Granted	-	-	-	-	-	-	-
Returned	(10,000)	-	-	-	-	-	10,000
Exercised	(500)	19.60	19.60	-	-	-	-

Outstanding November 1, 2003	96,000	\$19.60	\$19.60	6,800	\$19.60 to \$25.00		102,700

Granted	-	-	-	-	-	-	-
Forfeited	-	-	-	(250)	19.60	-	250
Exercised	(750)	19.60	19.60	(6,300)	19.60 to 25.00	22.86	-

Outstanding October 30, 2004	95,250	\$19.60	\$19.60	250	\$19.60	\$19.60	102,950

Options exercisable at:

November 2, 2002	23,000	\$19.60	\$19.60	2,900	\$19.60	\$22.62
					to \$25.00	
November 1, 2003	44,500	\$19.60	\$19.60	6,550	\$19.60	\$22.62
					to \$25.00	

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

October 30, 2004 65,250 \$19.60 \$19.60 250 \$19.60 \$19.60

Following is a summary of the status of stock options outstanding at October 30, 2004:

		Outstanding Options		Exercisable Options	
		Weighted	Weighted		Weighted
		Average	Average		Average
		Remaining	Exercise		Exercise
Exercise	Number	Contractual	Price	Number	Price
Price		Life			
-----	-----	-----	-----	-----	-----
\$ 19.60	95,250	6.75 years	\$ 19.60	65,250	\$ 19.60
		F-25			

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per share amounts)

Note 12 Shareholders' Equity

On May 11, 2001, the Board of Directors authorized the Company to repurchase, in either open market or private transactions, up to \$3,000,000 of its common stock. During the fiscal year ended November 2, 2002 the Board of Directors increased the authorized amount of common stock the Company could repurchase to \$5,600,000. There were no shares repurchased during the fiscal years ended October 30, 2004 and November 1, 2003. During the fiscal year ended November 2, 2002 the Company repurchased 102,853 shares of its common stock at an aggregate cost of \$4,523,670. During the fiscal years ended October 30, 2004, November 1, 2003 and November 2, 2002 the Company issued 750, 500, and 1,000 shares, respectively, of common stock due to the exercise of stock options, in accordance with the provisions of its 2001 Stock Incentive Plan (see Note 11).

Note 13 Income Taxes

The income tax provision consist of the following:

	Fiscal 2004	Fiscal 2003	Fiscal 2002
	-----	-----	-----
Federal			
Current	\$ (172)	\$ (3,000)	\$ 1,035
Deferred	378	3,562	688
State and local			
Current	2,332	2,007	181
Deferred	(1,435)	(1,047)	258
	-----	-----	-----
	\$ 1,103	\$ 1,522	\$ 2,162
	=====	=====	=====

The following tabulations reconcile the federal statutory tax rate to the effective rate:

	Fiscal 2004	Fiscal 2003	Fiscal 2002
	-----	-----	-----
Tax provision at the statutory rate	34.0 %	34.0%	34.0%
State and local income tax			

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

provision net of federal income tax	5.9 %	5.9%	5.9%
Goodwill amortization not deductible for tax purposes	-	-	.9%
Tax credits	(2.1) %	(1.7) %	(.3) %
Other	.2 %	1.8%	(.5) %
	-----	-----	-----
Actual tax provision	38.0 %	40.0%	40.0%
	=====	=====	=====

F-26

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per share amounts)

Note 13 Income Taxes - (continued)

Net deferred tax assets and liabilities consist of the following:

	October 30, 2004 ----	November 1, 2003 ----
Current deferred tax assets		
Deferred revenue and gains on sale/leaseback	\$ 79	\$ 94
Allowances for uncollectible receivables	564	409
Unearned promotional allowance	304	-
Inventory capitalization	315	134
Closed store reserves	79	255
Vacation accrual	603	606
Federal tax credits	369	-
Accrued post-employment	217	184
Accrued post-retirement	1,495	1,186
Other	37	37
	-----	-----
	4,062	2,905
	-----	-----
Current deferred tax liabilities		
Prepays	(508)	(417)
Patronage dividend receivable	(3,977)	(3,476)
Accelerated real estate taxes	(214)	(206)
Prepaid pension	(942)	(968)
	-----	-----
	(5,641)	(5,067)
	-----	-----
Current deferred tax liability, net	\$ (1,579)	\$ (2,162)
	=====	=====
Noncurrent deferred tax assets		
Lease obligations	\$ 7,435	\$ 5,581
State tax credits	2,969	1,368
Minimum pension liability	2,093	2,110
Stock options and deferred compensation	490	350
Federal and State loss carryforwards	1,177	115
	-----	-----
	14,164	9,524
Valuation allowance	(85)	(85)
	-----	-----
	14,079	9,439
	-----	-----
Noncurrent deferred tax liabilities		

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Depreciation	(14,846)	(10,845)
Pension obligations	(1,176)	(994)
Other	(349)	(349)
	-----	-----
	(16,371)	(12,188)
	-----	-----
Noncurrent deferred tax liability, net	\$ (2,292)	\$ (2,749)
	=====	=====

At October 30, 2004 and November 1, 2003, minimum pension liability of \$2,093,000 and \$2,110,000, respectively, was charged against accumulated other comprehensive income (see Note 15).

F-27

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 13 Income Taxes - (continued)

At October 30, 2004, the Company has Federal net operating loss carryforwards of approximately \$3,135,000 expiring through October 2024. In addition, the Company has Federal tax credit carryforwards of \$369,000.

At October 30, 2004, the Company has State net operating loss carryforwards of approximately \$1,180,000 expiring through October 2012. The utilization of certain State net operating losses may be limited in any given year. A valuation allowance has been provided for net operating losses that are not expected to be utilized. The Company believes the results of historical taxable income and the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

Effective in fiscal year 2003, the Company is subject to the New Jersey Alternative Minimum Assessment ("AMA") that was part of the Business Tax Reform Act passed in the State of New Jersey. Taxpayers are required to pay the AMA, which is based upon either New Jersey Gross Receipts or New Jersey Gross Profits, if the AMA exceeds the tax based on taxable net income. An election must be made in the first year to use either the Gross Profits or Gross Receipts method and must be kept in place for five years, at which time the election may be changed.

At October 30, 2004, the Company has New Jersey AMA tax credit carryforwards of \$4,386,000. The utilization of this credit may commence in fiscal 2007 and at that time the amount of credit may be limited based on taxable net income. In addition, the Company has other state tax credit carryforwards of \$115,000.

Note 14 Commitments and Contingencies

Legal Proceedings

The Company is involved in various legal actions and claims arising in the ordinary course of business. Management believes that the outcome of any such litigation and claims will not have a material effect on the Company's financial position or results of operations.

Shareholder Lawsuit

On March 27, 2002, certain shareholders (the "Plaintiffs") filed a derivative action against the Company, as nominal defendant, and

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

against all five members of the Board of Directors (together, the "Defendants"), in their capacities as directors and/or officers of the Company. The lawsuit alleged that the Defendants breached their fiduciary duties to the Company and its shareholders and sought to "enrich and entrench themselves at the shareholders' expense" through their previous recommendation, implementation and administration of the 2001 Stock Incentive Plan (the "2001 Plan"), which was approved by the Company's shareholders on April 4, 2001, and by proposing an amendment to the 2001 Plan to increase the number of shares of Common Stock available for issuance by 65,000 shares and an amendment to the Company's amended and restated certificate of incorporation (the "Certificate of Incorporation") to create a classified Board of Directors consisting of five classes of directors, with only one class standing for election in any

F-28

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 14 Commitments and Contingencies

Shareholder Lawsuit - (continued)

year for a five-year term. The shareholders of the Company approved the amendments to the 2001 Plan and the Certificate of Incorporation on May 8, 2002 (see Note 11).

On July 23, 2003, the Superior Court of New Jersey, Middlesex County (the "Court"), approved the settlement of the shareholder derivative action filed by the Plaintiffs. Pursuant to the terms of the settlement, 1) the Company's five-year classified board has been eliminated and the Defendants have agreed not to submit any proposal to the shareholders of the Company in connection with the implementation of a classified board for a five year period ending on July 22, 2008; 2) the 2001 Plan was amended so that the maximum number of shares of the Company's common stock that can be awarded to any individual thereunder shall be 50,000; and 3) the 2001 Plan was amended to require that the exercise price of any options or other stock based compensation granted thereunder shall be equal to the closing market price of the Company's common stock on the date of grant. In addition, the company's Chairman of the Board returned to the Company 10,000 stock options previously awarded to him under the 2001 Plan.

The Plaintiffs had applied to the Court for an award of attorneys' fees in the amount of \$975,000. The Company's directors and officers liability insurance carrier reserved its rights under the Company's directors and officers liability insurance policy with respect to the claims made in the derivative action, including claims for the Plaintiffs' attorneys' fees and costs of defense, and had preliminarily advised the Company that certain of the claims made in the derivative action and related legal expenses were not, in the insurance carrier's view, covered by the policy. During fiscal 2004, the Company reached a court approved settlement with the Plaintiffs as well as a settlement with its director and officers insurance carrier. As a result of the settlement, the effect to the Company was a decrease in net income, after tax effect, of \$214,000.

Commitments

Employment Agreement

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

On November 2, 2003 the Company entered into a two-year employment agreement (the "Agreement") with its Chairman of the Board. The Agreement provides for an annual salary of \$325,000 in fiscal 2004 and \$275,000 in fiscal 2005. The Agreement also provides for participation in the Company's incentive compensation plan and 401(k) plan through the term of the Agreement. In addition, health and life insurance and postretirement benefits will be provided during the lifetime of both the Chairman of the Board or his spouse.

Guarantees

The Company remains contingently liable under leases assumed by third parties. As of October 30, 2004, the minimum annual rental under these leases amounted to approximately \$1,720,000 expiring at various dates through 2011. The Company has not experienced and does not anticipate any material nonperformance by such third parties.

F-29

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 15 Retirement and Benefit Plans

Defined Benefit Plans

The Company sponsors two defined benefit pension plans covering administrative personnel and members of a union. Employees covered under the administrative pension plan earned benefits based upon a percentage of annual compensation and could make voluntary contributions to the plan. Employees covered under the union pension benefit plan earn benefits based on a fixed amount for each year of service. The Company's funding policy is to pay at least the minimum contribution required by the Employee Retirement Income Security Act of 1974. The plans' assets consist primarily of publicly traded stocks and fixed income securities.

A summary of the plans' funded status and the amounts recognized in the consolidated balance sheets as of October 30, 2004 and November 1, 2003 follows:

	October 30, 2004	November 1, 2003
	----	----
Change in benefit obligation		
Benefit obligation - beginning of year \$	(8,886)	\$ (7,807)
Service cost	(247)	(117)
Interest cost	(534)	(529)
Actuarial loss	(525)	(1,070)
Plan amendments	(16)	-
Benefits paid	682	637
	-----	-----
Benefit obligation - end of year	(9,526)	(8,886)
	-----	-----
Change in plan assets		
Fair value of plan assets -		
beginning of year	5,761	4,788
Actual return on plan assets	430	303
Employer contributions	900	1,307
Benefits paid	(682)	(637)
Administrative expense	-	-

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Fair value of plan assets - end of year	6,409	5,761
Funded status	(3,117)	(3,125)
Unrecognized prior service cost	209	242
Unrecognized net loss from past experience different from that assumed	5,233	5,274
Unrecognized transition asset	-	-
Net amount recognized-end of year	\$ 2,325	\$ 2,391
Projected benefit obligation- end of year	\$ (9,526)	\$ (8,886)
Accumulated benefit obligation- end of year	\$ (9,526)	\$ (8,886)
Fair value of plan assets	\$ 6,409	\$ 5,761

F-30

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 15 Retirement and Benefit Plans - (continued)

Defined Benefit Plans - (continued)

Amounts recognized in the consolidated balance sheets consist of:

	October 30, 2004	November 1, 2003
Prepaid benefit cost	\$ -	\$ -
Accrued benefit liability	(3,117)	(3,125)
Intangible asset	209	242
Accumulated other comprehensive income	5,233	5,274
Net amount recognized-end of year	\$ 2,325	\$ 2,391

Components of Net Periodic Benefit Cost:

	Fiscal 2004	Fiscal 2003	Fiscal 2002
Service cost - benefits earned during the period	\$ 247	\$ 117	\$ 94
Interest expense on benefit obligation	534	529	511
Expected return on plan assets	(472)	(388)	(475)
Settlement (gain) loss recognized	244	318	350
Amortization of prior service costs	49	49	37
Amortization of unrecognized net loss (gain)	364	391	197
Amortization of unrecognized			

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

transition obligation (asset)	-	-	(5)
	-----	-----	-----
Net periodic benefit cost	\$ 966	\$ 1,016	\$ 709
	=====	=====	=====
Additional information:			
Increase (decrease) in			
minimum pension liability			
included in other			
comprehensive income			
	\$ (41)	\$ 447	\$ 1,626
	=====	=====	=====

F-31

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 15 Retirement and Benefit Plans - (continued)

Defined Benefit Plans - (continued)

Assumptions

The weighted-average economic assumptions used to determine benefit obligations at fiscal year-end are as follows:

	October 30, 2004	November 1, 2003	November 2, 2002
	-----	-----	-----
Discount rate			
(pension)	5.75%	6.25%	7.00%
Discount rate			
(post- retirement)	5.00%	5.00%	5.75%
Rate of			
compensation			
increase	N/A	N/A	N/A
Measurement date	October 30, 2004	November 1, 2003	November 2, 2002

The weighted-average economic assumptions used to determine benefit cost for the fiscal years ended on the dates indicated are as follows:

	October 30, 2004	November 1, 2003	November 2, 2002
	-----	-----	-----
Discount rate			
(pension)	6.25%	7.00%	7.25%
Discount rate			
(post-retirement)	5.00%	5.75%	6.25%
Expected return on			
plan assets	8.00%	8.00%	8.00%
Rate of			
compensation			
increase	N/A	N/A	N/A

Plan Assets and Expected Returns.

The investments of the defined benefit plans are managed with the following objectives:

- > To ensure that the principal of the Plan is preserved and enhanced over the long-term, both in real and nominal terms
- > To manage (control) risk exposure

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

> To exceed the funding requirement over a market cycle (3-5 years)

Risk is managed by investing in a broad range of asset classes, and within those asset classes, a broad range of individual securities. With the exception of Foodarama common stock already held by the plans, no more than two percent (2%) of plan assets may be invested in any one security.

The defined benefit plans' asset allocation as of October 30, 2004 and November 1, 2003 and the target allocation of the administrative pension plan (which accounts for approximately 70% of total pension assets) for fiscal 2005 are as follows:

F-32

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 15 Retirement and Benefit Plans - (continued)

Defined Benefit Plans -(continued)

Asset Class	Target Allocation Range	October 30, 2004	November 1, 2003
-----	-----	----	----
Equity securities	33% - 70%	83.3%	77.5%
Debt securities	14% - 23%	9.1%	9.1%
Real estate	0%	0.0%	0.0%
Other	7% - 13%	7.6%	13.4%
		-----	-----
Total		100.0%	100.0%
		=====	=====

As of October 30, 2004 and November 1, 2003, equity securities included 37,200 shares of common stock of the Company with a fair value of \$1,395,000 and \$939,000, respectively.

The Trustees of the plans monitor the plan's performance on a quarterly basis and review the target allocation at least annually. The Trustees will also report at least annually to the Board of Directors and the Pension Committee on the status of the plans' assets, the performance of the investment managers, and the absolute, relative and comparative performance of the plans' investments.

To develop the expected long-term rate of return on asset assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. Based on these factors and the asset allocation discussed below, the Company elected to use an 8.0% expected return on plan assets in determining pension expense for fiscal 2004. This is the same expected return on plan assets used in determining pension expense for fiscal 2003 and fiscal 2002. The assumptions were net of expected plan expenses payable from the plans' assets.

The Company estimates that a 0.50% decrease in the expected return on pension plan assets would have increased pension expense by approximately \$29,000 during fiscal 2004.

Estimated Future Benefit Payments

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Defined Benefit Plans -----
Fiscal Year	
2005	\$ 716,000
2006	662,000
2007	933,000
2008	574,000
2009	508,000
2010 to 2014	3,550,000

Total	\$6,943,000 =====

F-33

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per share amounts)

Note 15 Retirement and Benefit Plans - (continued)

----- Defined Benefit Plans - (continued)

----- Company Contributions

Based on the Company's actuarial assumptions the Company believes it will be required to make contributions to its defined benefit pension plans of \$1,253,000 in fiscal 2005.

Additional information

On September 30, 1997, the Company adopted an amendment to freeze all future benefit accruals relating to the plan covering administrative personnel. A curtailment gain of \$55,000 was recorded related to this amendment.

At October 30, 2004 and November 1, 2003, the accumulated benefit obligation exceeded the fair value of the plans' assets in both defined benefit plans. The provisions of Statement of Financial Accounting Standards No. 87 ("SFAS 87"), "Employers' Accounting for Pensions," require recognition in the balance sheet of an additional minimum liability and related intangible asset for pension plans with accumulated benefits in excess of plan assets; any portion of such additional liability which is in excess of the plan's prior service cost is reflected as a direct charge to equity, net of related tax benefit. Accordingly, at October 30, 2004 and November 1, 2003, a liability of \$5,442,000 and \$5,516,000, respectively, was included in other long-term liabilities, an intangible asset equal to the prior service cost of \$209,000 and \$242,000, respectively, is included in other assets, and a charge of \$5,233,000 and \$5,274,000, before a deferred tax benefit of \$2,093,000 and \$2,110,000, respectively, is reflected as a minimum pension liability in shareholders' equity in the consolidated balance sheet.

Multi-Employer Plans

Health, welfare, and retirement expense was approximately \$18,159,000 in fiscal 2004, \$17,230,000 in fiscal 2003 and \$13,240,000 in fiscal 2002, under plans covering union employees. Such plans are administered

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

through the unions involved. Under federal legislation regarding such pension plans, a company is required to continue funding its proportionate share of a plan's unfunded vested benefits in the event of withdrawal (as defined by the legislation) from a plan or plan termination. The Company participates in a number of these pension plans and may have a potential obligation as a participant. The information required to determine the total amount of this contingent obligation, as well as the total amount of accumulated benefits and net assets of such plans, is not readily available. However, the Company has no present intention of withdrawing from any of these plans, nor has the Company been informed that there is any intention to terminate such plans.

401(k)/Profit Sharing Plan

The Company maintains an employee 401(k) Savings Plan (the "Plan") for all qualified non-union employees. Employees are eligible to participate in the Plan after completing one year of service (1,000 hours) and attaining age 21. Employee contributions are discretionary to a maximum of 30% of eligible compensation, to a maximum of \$14,000. The Company matches 25% of the employees' contributions up to 6% of employee compensation. The Company has the right to make additional discretionary contributions, which are allocated to each eligible employee in proportion to their eligible compensation, which was 2.00% for fiscal years 2004, 2003 and 2002. 401(k) expense for the fiscal years 2004, 2003 and 2002 was approximately \$761,000, \$715,000 and \$630,000, respectively.

F-34

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 16 Other Postretirement and Postemployment Benefits

----- Postretirement Benefits

The Company will provide certain current officers and provided former officers with supplemental income payments and limited medical benefits during retirement. The Company recorded an estimate of deferred compensation payments to be made to the officers based on their anticipated period of active employment and the relevant actuarial assumptions at October 30, 2004 and November 1, 2003, respectively.

A summary of the plan's funded status and the amounts recognized in the consolidated balance sheets as of October 30, 2004 and November 1, 2003, follows:

	October 30, 2004	November 1, 2003
	----	----
Change in benefit obligation		
Benefit obligation - beginning of year	\$ (5,019)	\$ (4,656)
Service cost	(168)	(125)
Interest cost	(313)	(271)
Actuarial gain (loss)	(230)	122
Plan amendments	(75)	(109)
Benefits paid	-	20
	-----	-----
Benefit obligation - end of year	(5,805)	(5,019)
	-----	-----

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Change in plan assets		
Fair value of plan assets - beginning of year	-	-
Actual return on plan assets	-	-
Employer contributions	-	20
Benefits paid	-	(20)
	-----	-----
Fair value of plan assets - end of year	-	-
	-----	-----
Funded status	(5,805)	(5,019)
Unrecognized prior service cost	197	200
Unrecognized net loss from past experience different from that assumed	1,916	1,890
	-----	-----
Accrued postretirement benefit cost	\$ (3,692)	\$ (2,929)
	=====	=====
Projected benefit obligation- end of year	\$ (5,805)	\$ (5,019)
	=====	=====
Accumulated benefit obligation- end of year	\$ (5,805)	\$ (5,019)
	=====	=====
Fair value of plan assets	\$ -	\$ -
	=====	=====

F-35

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 16 Other Postretirement and Postemployment Benefits (continued)

Postretirement Benefits (continued)

Net postretirement benefit expense consists of the following:

	Fiscal 2004	Fiscal 2003	Fiscal 2002
	-----	-----	-----
Service cost - benefits earned during the period	\$ 168	\$ 125	\$ 106
Interest expense on benefit obligation	313	271	238
Expected return on plan assets	-	-	-
Amortization of prior service costs	78	23	23
Amortization of unrecognized net loss (gain)	204	137	108
Amortization of unrecognized transition obligation (asset)	-	-	-
	-----	-----	-----
Postretirement benefit	\$ 763	\$ 556	\$ 475
	=====	=====	=====

Assumptions

The weighted-average economic assumptions used to determine benefit obligations at fiscal year-end are as follows:

October 30, November 1, November 2,

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

	2004	2003	2002
	----	----	----
Discount rate	5.75%	6.25%	7.00%
Rate of compensation increase	4.00%	4.00%	4.00%
Measurement date	October 30, 2004	November 1, 2003	November 2, 2002

The weighted-average economic assumptions used to determine benefit cost for the fiscal years ended on the dates indicated are as follows:

	October 30, 2004	November 1, 2003	November 2, 2002
	----	----	----
Discount rate	6.25%	7.00%	7.25%
Expected long-term rate of return on plan assets during fiscal year	N/A	N/A	N/A
Rate of compensation increase	4.00%	4.00%	5.50%

F-36

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per share amounts)

Note 16 Other Postretirement and Postemployment Benefits (continued)

Postretirement Benefits (continued)

The assumed health care cost trend rates to determine benefit obligations at fiscal year-end are as follows:

	October 30, 2004	November 1, 2003	November 2, 2002
	----	----	----
Health care cost trend rate assumed for subsequent year	11.00%	12.00%	12.00%
Ultimate health care cost trend rate	5.50%	5.50%	5.50%
Fiscal year that the ultimate rate is reached	2010	2010	2010

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plan. A 1% change in assumed health care cost trend rates would have the following effects as of October 30, 2004:

	1% Increase	1% Decrease
	-----	-----
Total of service and interest cost components	\$6,000	\$(5,000)
Postretirement benefit obligation	\$81,000	\$(68,000)

Plan Assets and Expected Returns

The Postretirement Plan is unfunded and the Company plans to fund benefits as they are due and payable. Therefore no asset allocation or target allocation is presented.

Estimated future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Other Post

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Fiscal Year	Retirement Plan
-----	-----
2005	\$ 36,000
2006	260,000
2007	402,000
2008	404,000
2009	405,000
2010 to 2014	2,165,000

Total	\$3,672,000
	=====
	F-37

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 16 Other Postretirement and Postemployment Benefits (continued)

Postretirement Benefits (continued)

Company Contributions

Based on the Company's actuarial assumptions, the Company believes it will be required to make future contributions to its postretirement benefit plan equal to the estimated future benefit payments summarized above.

Estimated Postretirement costs for Future Years

Actual postretirement costs in the future will depend on changes in discount rates, the rate of increase in compensation, health care cost trends and various other factors related to the employees eligible in the Company's postretirement plan.

Medicare Changes

The financial information included herein does not reflect the anticipated financial effect of the new Medicare Prescription Drug Improvement and Modernization Act of 2003 as the legislation is not expected to have a significant impact on the Company's financial statements. Changes in the postretirement benefits related to Medicare changes will be reflected as actuarial (gains)/losses as they occur.

Postemployment Benefits

Under SFAS No. 112, the Company is required to accrue the expected cost of providing postemployment benefits, primarily short-term disability payments, over the working careers of its employees.

The accrued liability under SFAS No. 112 as of October 30, 2004 and November 1, 2003 was \$536,000 and \$454,000, respectively.

Note 17 Earnings Per Share

	Fiscal 2004	Fiscal 2003	Fiscal 2002
-----	-----	-----	-----
Basic EPS			

Net income available to common shareholders	\$ 1,800	\$ 2,283	\$ 3,240
	=====	=====	=====
Weighted average shares			

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

outstanding	987,132	986,789	1,024,235
	-----	-----	-----
Per share amount	\$ 1.82	\$ 2.31	\$ 3.16
	=====	=====	=====
Effect of Dilutive Securities			

Stock Options - Incremental Shares	43,035	24,561	51,795
	=====	=====	=====
Dilutive EPS			

Weighted average shares outstanding including incremental shares	1,030,167	1,011,350	1,076,030
	-----	-----	-----
Per share amount	\$ 1.75	\$ 2.26	\$ 3.01
	=====	=====	=====

F-38

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 18 Noncash Investing and Financing Activities

During fiscal 2004, 2003 and 2002, the Company retired property and equipment with an original cost of \$2,838,000, \$7,280,000 and \$37,000 and accumulated depreciation of \$2,835,000, \$7,117,000 and \$33,000, respectively.

During fiscal 2004, 2003 and 2002, the Company reclassified \$6,810,000, \$12,854,000 and \$4,584,000, respectively, of construction in progress to leasehold improvements and equipment. In addition, during Fiscal 2003, the Company reclassified \$829,000 from deposits on equipment to equipment.

At October 30, 2004, the Company had an additional minimum pension liability of \$5,442,000, a related intangible asset of \$209,000 and a direct charge to equity of \$3,140,000, net of deferred taxes of \$2,093,000. At November 1, 2003, the Company had an additional minimum pension liability of \$5,516,000, a related intangible asset of \$242,000 and a direct charge to equity of \$3,164,000, net of deferred taxes of \$2,110,000. At November 2, 2002, the Company had an additional minimum pension liability of \$5,119,000, a related intangible asset of \$292,000 and a direct charge to equity of \$2,896,000, net of deferred taxes of \$1,931,000.

During fiscal 2004, additional capital lease obligations of \$21,934,000 were incurred when the Company entered into a lease for a new store and a lease modification for a replacement store. During fiscal 2003, capital lease obligations of \$60,553,000 were incurred when the Company entered into leases for four new stores and two existing stores. During fiscal 2002, capital lease obligations of \$9,958,000 were incurred when the Company entered into a lease for one new store.

During fiscal 2004, the Company was required to make additional investments in Wakefern of \$1,351,000 and Insure-Rite, Ltd. of \$131,000, for one new store, a replacement store and the acquisition of a store. During fiscal 2003, the Company was required to make additional investments in Wakefern of \$1,200,000 and Insure-Rite, Ltd. of \$127,000, for two new stores, which opened during fiscal 2003. In

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

conjunction with these investments, liabilities were assumed for the same amount.

During fiscal 2003, the required investment in Wakefern increased from a maximum per store of \$550,000 to \$650,000. This resulted in an increase of \$2,088,000 in the investment and obligations due Wakefern.

During fiscal 2002, \$10,653,000 of outstanding Capital Expenditure loans were combined into the Company's Term loan.

Note 19 Acquisition

During fiscal 2004, the Company acquired the assets of a store, excluding inventory, for \$1,000,000 (the "Purchase Price"). The Purchase Price was allocated \$75,000 to Leasehold Improvements, \$389,000 to Equipment and \$536,000 to Intangible Assets as a bargain lease.

F-39

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Tabular dollars in thousands, except per share amounts)

Note 20 Unaudited Summarized Consolidated Quarterly Information

Summarized quarterly information for the years ended October 30, 2004 and November 1, 2003 was as follows:

	Thirteen Weeks Ended			
	January 31, 2004	May 1, 2004	July 31, 2004	October 30, 2004
Sales	\$294,715	\$ 279,043	\$ 302,799	\$ 298,642
Gross profit	77,100	74,411	80,268	78,140
Net income (loss)	1,240	956	496	(892)
Earnings (loss) available per share:				
Basic	1.26	.97	.50	(.91)
Diluted	1.22	.93	.48	(.91)

The fourth quarter ended October 30, 2004 includes a pre-tax impairment charge of \$1,198,000 (see Note 1).

	Thirteen Weeks Ended			
	February 1, 2003	May 3, 2003	August 2, 2003	November 1, 2003
Sales	\$ 257,091	\$ 254,578	\$ 271,333	\$ 266,651
Gross profit	64,757	66,583	70,022	71,635
Net income	349	128	576	1,230
Earnings available per share:				
Basic	.35	.13	.58	1.25
Diluted	.34	.13	.57	1.22

F-40

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Schedule II

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Valuation and Qualifying Accounts
Fiscal Years Ended October 30, 2004, November 1, 2003 and November 2, 2002
(In thousands)

Description	Balance at beginning of year	Charge to costs and expenses	Additions Charge to other accounts	Deductions	Balance at end of year
-----	-----	-----	-----	-----	-----
Fiscal year ended October 30, 2004					
Allowance for doubtful accounts (deducted from receivables and other current assets)	\$ 983	\$ 478	\$ -	\$ 95 (1)	\$ 1,366
	=====	=====	=====	=====	=====
Fiscal year ended November 1, 2003					
Allowance for doubtful accounts (deducted from receivables and other current assets).	\$ 684	\$ 359	\$ -	\$ 60 (1)	\$ 983
	=====	=====	=====	=====	=====
Fiscal year ended November 2, 2002					
Allowance for doubtful accounts (deducted from receivables and other current assets)	\$ 873	\$ 266	\$ -	\$ 455 (1)	\$ 684
	=====	=====	=====	=====	=====

(1) Accounts deemed to be uncollectible.

S-1

INDEX TO EXHIBITS

3. Articles of Incorporation and By-Laws

- *3.1. Restated Certificate of Incorporation of Registrant filed with the Secretary of State of the State of New Jersey on May 15, 1970.
- *3.2. Certificate of Merger filed with the Secretary of State of the State of New Jersey on May 15, 1970.
- *3.3. Certificate of Merger filed with the Secretary of State of the State of New Jersey on March 14, 1977.
- *3.4. Certificate of Merger filed with the Secretary of State of the State of New Jersey on June 23, 1978.
- *3.5. Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State of the State

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

of New Jersey on May 12, 1987.

- **3.6. Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State of the State of New Jersey on February 16, 1993.
- ***3.7. Amendment to the Certificate of Incorporation of the Registrant dated April 4, 1996.
- *3.8. By-Laws of Registrant.
- *3.9. Amendments to By-Laws of Registrant adopted September 14, 1983.
- 3.10. Amendment to By-Laws of Registrant adopted March 15, 1991 is incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the year ended November 2, 1991 filed with the Securities and Exchange Commission on February 18, 1992.
- 3.11. Certificate of Amendment to the Amended and Restated Certificate of Incorporation filed with the Department of the Treasury of the State of New Jersey on May 14, 2002 is incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the year ended November 2, 2002 filed with the Securities and Exchange Commission on January 30, 2003.
- 3.12. Amended and Restated By-Laws of Registrant adopted April 14, 2004 are incorporated herein by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 21, 2004.

E-1

10. Material Contracts

- 10.1. The Agreement dated September 18, 1987 entered into by Wakefern Food Corporation and the Registrant is incorporated herein by reference to Exhibit A to the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 19, 1987.
- ***10.2. Certificate of Incorporation of Wakefern Food Corporation together with amendments thereto and certificates of merger.
- ***10.3. By-Laws of Wakefern Food Corporation.
- #***10.4. Form of Deferred Compensation Agreement, between the Registrant and certain of its key employees.
- #10.5. Registrant's 1987 Incentive Stock Option Plan is incorporated herein by reference to Exhibit 4 (a) to the Registrant's Form S-8 filed with the Securities and Exchange Commission on May 26, 1989.
- 10.6. Agreement, dated September 20, 1993, between the Registrant, ShopRite of Malverne, Inc. and The Grand Union Company is incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the year ended October 30, 1993, filed with the Securities and Exchange Commission on February

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

24, 1994.

- 10.7. Revolving Credit and Term Loan Agreement, dated as of February 15, 1995 between the Registrant and NatWest Bank as agent for a group of banks is incorporated herein by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on July 10, 1995.
- 10.8. Asset Purchase Agreement dated April 20, 1995 and Amendment No. 1 to the Agreement dated May 24, 1995 between the Registrant and Wakefern Food Corporation is incorporated herein by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on July 27, 1995.
- 10.9. Amendment of Revolving Credit and Term Loan Agreement, dated as of January 25, 1996, between the Registrant and each of the banks which are signatory thereto is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended January 27, 1996, filed with the Securities and Exchange Commission on March 12, 1996.

E-2

- ****10.10. Agreement, dated as of March 29, 1996, between the Registrant and Wakefern Food Corporation.
- ****10.11. Amendment of Revolving Credit and Term Loan Agreement, dated as of May 10, 1996, between the Registrant and each of the Banks which are signatory thereto.
- 10.12. Waiver and Amendment of Revolving Credit and Term Loan Agreement, dated as of July 26, 1996, between the Registrant and each of the Banks which are signatory thereto is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended July 27, 1996, filed with the Securities and Exchange Commission on September 10, 1996.
- 10.13. Amended and Restated Revolving Credit and Term Loan Agreement, dated as of May 2, 1997, between the Registrant and the Financial Institution which is signatory thereto is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended May 3, 1997, filed with the Securities and Exchange Commission on June 16, 1997.
- *****10.14. First Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated October 28, 1997, between the Registrant and the Financial Institution which is signatory thereto.
- *****10.15. Consent and Second Amendment to Amended and Restated Revolving Credit and Term Loan Agreement and other loan documents, dated November 14, 1997, between the Registrant and the Financial Institution which is signatory thereto.
- *****10.16. Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated January 15, 1998, between the Registrant and the Financial Institution which is signatory thereto.
- 10.17. Amendment to the Amended and Restated Revolving Credit and Term Loan Agreement, dated March 11, 1999, between the

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Registrant and the Financial Institution which is signatory thereto, is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended May 1, 1999, filed with the Securities and Exchange Commission on June 11, 1999.

- 10.18. Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of January 7, 2000 between the Registrant and each of the Financial Institutions which are signatory thereto, is incorporated herein by reference to the Registrant's Form 10-K for the year ended October 30, 1999 filed with the Securities and Exchange Commission on January 27, 2000.

E-3

- #10.19. Restatement of Supplemental Executive Retirement Plan, dated as of January 1, 1998, is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended January 29, 2000, filed with the Securities and Exchange Commission on March 9, 2000.
- #10.20. Registrant's 2001 Stock Incentive Plan is incorporated herein by reference to Appendix B to the Registrant's Proxy Statement filed with the Securities and Exchange Commission on February 26, 2001.
- 10.21. Amendment No. 1 to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of May 11, 2001, between the Registrant and each of the Financial Institutions which are signatory thereto is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended April 28, 2001, filed with the Securities and Exchange Commission on June 8, 2001.
- 10.22. Amendment No. 2 to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of August 7, 2001 between the Registrant and each of the Financial Institutions which are signatory thereto is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended July 28, 2001, filed with the Securities and Exchange Commission on September 10, 2001.
- *****10.23. Letter Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of January 30, 2002 between the Registrant and each of the Financial Institutions which are signatory thereto.
- *****10.24. Letter Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of January 30, 2002 between the Registrant and each of the Financial Institutions which are signatory thereto.
- 10.25. Letter Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of March 29, 2002 between the Registrant and each of the Financial Institutions which are signatory thereto is incorporated herein by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 5, 2002.
- 10.26. Third Amended and Restated Revolving Credit and Term Loan

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Agreement, dated as of September 26, 2002 between the Registrant and each of the Financial Institutions which are signatory thereto, is incorporated herein by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on September 30, 2002.

E-4

- 10.27. Amendment No. 1 to Third Amended and Restated Revolving Credit and Term Loan Agreement, dated as of December 17, 2002 between the Registrant and each of the Financial Institutions which are signatory thereto is incorporated herein by reference to the Registrant's Form 10-K for the year ended November 2, 2002, filed with the Securities and Exchange Commission on January 30, 2003.
- 10.28. Consent, Waiver and Amendment No. 2 to Third Amended and Restated Revolving Credit and Term Loan Agreement, dated as of January 21, 2003 between the Registrant and each of the Financial Institutions which are signatory thereto is incorporated herein by reference to the Registrant's Form 10-K for the year ended November 2, 2002, filed with the Securities and Exchange Commission on January 30, 2003.
- 10.29. Amendment No. 3 to Third Amended and Restated Revolving Credit and Term Loan Agreement, dated as of July 16, 2003 between the Registrant and each of the Financial Institutions which are signatory thereto is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended August 2, 2003, filed with the Securities and Exchange Commission on September 16, 2003.
- 10.30. Amendments No. 2 and 1 to the Foodarama Supermarkets, Inc. 2001 Stock Incentive Plan are incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended August 2, 2003, filed with the Securities and Exchange Commission on September 16, 2003.
- #10.31. Executive Employment Agreement, dated November 2, 2003, by and between the Company and Joseph J. Saker is incorporated herein by reference to the Registrant's Form 10-K for the year ended November 1, 2003, filed with the Securities and Exchange Commission on January 29, 2004.
- #10.32. First Amendment to the Registrant's Supplemental Executive Retirement Plan, effective November 2, 2003.
- 10.33. Amendment No. 4 to the Amended and Restated Revolving Credit and Term Loan Agreement is incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended May 1, 2004, filed with the Securities and Exchange Commission on June 14, 2004.
- 10.34. Amendment No. 5 to the Third Amended and Restated Revolving Credit and Term Loan Agreement, dated as of July 19, 2004, between the Registrant and each of the Financial Institutions which is a signatory thereto, is incorporated herein by reference to the Registrant's Form 8-K, dated August 24, 2004, filed with the Securities and Exchange Commission on August 30, 2004.

E-5

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

- 10.35 Amendment No. 6 to the Third Amended and Restated Revolving Credit and Term Loan Agreement, dated as of August 24, 2004, between the Registrant and each of the Financial Institutions which is a signatory thereto, is incorporated herein by reference to the Registrant's Form 8-K, dated August 24, 2004, filed with the Securities and Exchange Commission on August 30, 2004.
- 10.36 Amendment No. 7 to the Third Amended and Restated Revolving Credit and Term Loan Agreement, dated as of October 19, 2004, between the Registrant and each of the Financial Institutions which is a signatory thereto, is incorporated herein by reference to the Registrant's Form 8-K, dated October 19, 2004, filed with the Securities and Exchange Commission on October 21, 2004.
- 10.37 Amendment No. 8 to the Third Amended and Restated Revolving Credit and Term Loan Agreement, dated as of October 21, 2004, between the Registrant and each of the Financial Institutions which is a signatory thereto, is incorporated herein by reference to the Registrant's Form 8-K, dated October 21, 2004, filed with the Securities and Exchange Commission on October 25, 2004.
14. Code of Conduct is incorporated herein by reference to the Registrant's Form 10-K for the year ended November 1, 2003, filed with the Securities and Exchange Commission on January 29, 2004.
- # Indicates a management contract or compensatory plan or arrangement.
- * Each of these Exhibits is incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the year ended October 29, 1988 filed with the Securities and Exchange Commission on February 13, 1989.
- ** Each of these Exhibits is incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1992 filed with the Securities and Exchange Commission on February 19, 1993.
- *** Each of these Exhibits is incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the year ended October 28, 1989 filed with the Securities and Exchange Commission on February 9, 1990.
- **** Incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended April 27, 1996, filed with the Securities and Exchange Commission on June 10, 1996.
- ***** Incorporated herein by reference to the Registrant's Form 10-K for the year ended November 1, 1997 filed with the Securities and Exchange Commission on January 29, 1998.

E-6

***** Incorporated herein by reference to the Registrant's Form 10-Q for the quarterly period ended February 2, 2002, filed

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

with the Securities and Exchange Commission on March 15, 2002.

E-7

EXHIBIT 10.32

FIRST AMENDMENT TO
FOODARAMA SUPERMARKETS, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

WHEREAS, Foodarama Supermarkets, Inc. (the "Employer") established the Foodarama Supermarkets, Inc. Supplemental Executive Retirement Plan (the "Plan") effective January 17, 1989 and last restated effective January 1, 1998; and

WHEREAS, the Employer, pursuant to Section 8.01 of the Plan, reserved the right to amend the Plan from time to time;

WHEREAS, the Employer so desires to amend the Plan.

NOW, THEREFORE, the Plan is amended effective January 16, 2003 as to the amendment to Section 2.12 of the Plan and November 2, 2003 as to the amendments to Articles II and IX of the Plan as follows:

1. Section 2.12 of the Plan is amended in its entirety and shall read as follows:

"Section 2.12 - Final Average Earnings

Shall mean the annual average of the Participant's Annual Compensation (as defined in the following sentence) received during any sixty (60) consecutive calendar months prior to his retirement which produces the highest average. The term "Annual Compensation" shall mean the total compensation paid to the Participant by the Employer during any year as reported or reportable on Internal Revenue Service Form W-2, Box 1 or such successor box which describes "wages, tips and other compensation," increased by (i) elected deferrals under the Employer's 401(k) plan; (ii) elected deferrals under the Employer's "cafeteria plan," including, without limitation, deferrals for medical/dental insurance premiums, medical expenses and child care; and (iii) compensation paid pursuant to workers' compensation or disability insurance which is not otherwise reported on Form W-2, Box 1; and decreased by (i) income attributable to excess employer paid life insurance; and (ii) income attributable to and resulting from the award of any equity based incentive by the Employer to the Participant or the sale of any such equity award by the Participant, including, without limitation, income attributable to or resulting from the exercise of stock options or stock performance units granted by the Employer to the Participant or assigned to the Participant by other than the Employer or the sale of shares of stock acquired pursuant to the exercise of any such option. For purposes of computing the annual average of the Participant's Annual Compensation, if compensation is prorated for a portion of the first calendar year measured in such computation, then

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

any bonus or incentive compensation paid to the Participant in such year shall be excluded for purposes of computing the Participant's prorated Annual Compensation for such year."

E-8

By way of example, assume that a Participant has elected to retire on October 1, 2002, and that his Annual Compensation for the ten (10) year period preceding his retirement is as set forth below and that the Participant was paid bonus or incentive compensation of \$10,000 in each of calendar years 1997, 1998, 1999, 2000, 2001 and 2002.

Calendar Year	Annual Compensation
1991	\$ 90,000
1992	94,000
1993	98,000
1994	102,000
1995	106,000
1996	110,000
1997	114,000
1998	118,000
1999	128,000
2000	132,000
2001	136,000
2002 (through September 30, 2002)	109,500

The annual average of the Participant's Annual Compensation received during the sixty (60) consecutive calendar months prior to his retirement which produces the highest average is \$129,900. Such amount is determined as follows: (\$26,000 for 3 months in 1997 + \$118,000 + \$128,000 + \$132,000 + \$136,000 + \$109,500) / 5 = \$129,900. The prorated Annual Compensation for 1997 is computed as follows: (\$114,000-\$10,000)=\$104,000 x .25 = \$26,000.

2. Article II of the Plan is amended by the addition of a new Section which shall be titled Section 2.23 and will read as follows:

"Section 2.23 - Founder

Shall mean Joseph J. Saker."

3. Article IX of the Plan is amended by the addition of a new Section which shall be titled Section 9.13 and will read as follows:

"Section 9.13 - Special Benefit Adjustments

Founder - With respect to the Founder, the following shall supersede

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Sections 5.02, 6.01 and 6.02 of the Plan.

E-9

- (i) Form of Distribution - The Founder shall receive his benefit, calculated in accordance with Section 4.01, in the form of a joint and contingent survivor pension payable to and during the lifetime of the retired Founder with the provision that following his death after commencement of benefits in the Plan, such benefit shall continue to be paid to and during the lifetime of Gloria Saker, should she survive the Founder, at the same rate. No benefit shall be payable to any Beneficiary or to the Founder's estate, regardless of the number of monthly payments received by the Founder and Gloria Saker prior to their respective deaths.
- (ii) Pre-Retirement Death Benefit - If the Founder dies prior to commencement of benefits in the Plan, then Gloria Saker, should she survive the Founder, shall be entitled to a pre-retirement death benefit. The amount of the benefit shall be equal to one hundred percent (100%) of the benefit payable under Section 4.01 that the Founder would have received if the Founder had retired on the day immediately before his death. For purposes of calculating the pre-retirement death benefit, the offsets in (b), (c) and (d) in Section 4.01 shall be calculated at the time of the Founder's death. The pre-retirement death benefit shall commence on the first day of the month following the Founder's death and shall be payable to and during the lifetime of Gloria Saker. Gloria Saker shall continue to receive the benefit provided in Section 4.01(e) during her lifetime. In the event Gloria Saker does not survive the Founder, no benefit shall be payable to any Beneficiary or to the Founder's estate. Furthermore, no benefit shall be payable to any Beneficiary or to the Founder's estate following the death of Gloria Saker, regardless of the number of monthly payments received by Gloria Saker prior to her death.

IN WITNESS WHEREOF, this Amendment is adopted and effective January 16, 2003 as to the amendment to Section 2.12 of the Plan and November 2, 2003 as to the amendments to Articles II and IX of the Plan.

ATTEST:

FOODARAMA SUPERMARKETS, INC.

By: _____

Name:

Name:

Title:

Title:

E-10

EXHIBIT 21

LIST OF SUBSIDIARIES

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

OF FOODARAMA SUPERMARKETS, INC.

Name of Subsidiary -----	State of Incorporation -----
ShopRite of Malverne, Inc.	New York
New Linden Price Rite, Inc.	New Jersey
ShopRite of Reading, Inc.	Pennsylvania

E-11

EXHIBIT 23.1

----- CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM -----

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-65328, No. 333-108508) of Foodarama Supermarkets, Inc. and Subsidiaries, of our report dated January 27, 2005 relating to the consolidated financial statements for the fiscal year ended October 30, 2004, which is included in this Form 10-K filing. We also consent to the reference to our firm under the heading "Experts" in the prospectus included in the above-referenced Registration Statement and amendment thereto.

/s/AMPER, POLITZINER & MATTIA, P.C.

Edison, New Jersey

January 28, 2005

E-12

EXHIBIT 31.1

CERTIFICATION

I, Richard J. Saker, certify that:

1. I have reviewed this report on Form 10-K of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 27, 2005

/s/ RICHARD J. SAKER

(Signature)

Richard J. Saker

Chief Executive Officer

E-13

EXHIBIT 31.2

CERTIFICATION

I, Michael Shapiro, certify that:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

1. I have reviewed this report on Form 10-K of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 27, 2005

/s/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro

Chief Financial Officer

E-14

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-K for the year ended October 30, 2004 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Richard J. Saker, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C.ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 27, 2005

/s/ RICHARD J. SAKER

(Signature)

Richard J. Saker

Chief Executive Officer

E-15

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-K for the year ended October 30, 2004 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Michael Shapiro, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C.ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-K

Date: January 27, 2005

/s/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro

Chief Financial Officer