

VILLAGE SUPER MARKET INC
Form 10-K
October 12, 2011

UNITED STATES
SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934.
For the fiscal year ended: July 30, 2011

Transition Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 (Fee Required) for the transition period from _____ to _____.

COMMISSION FILE NUMBER: 0-33360

VILLAGE SUPER MARKET, INC.
(Exact name of registrant as specified in its charter)

NEW JERSEY 22-1576170
(State or other jurisdiction of incorporation (I. R. S. Employer
or organization) Identification No.)

733 MOUNTAIN AVENUE, SPRINGFIELD, NEW 07081
JERSEY (Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (973)467-2200

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

Class A common stock, no par value The NASDAQ Stock Market
(Title of Class) (Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, Yes__ No X.
as defined in Rule 405 of the Securities Act.

Indicate by check mark if the registrant is not required to file reports Yes __ No X.
pursuant to Section 13 or Section 15 (d) of the Act.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b2 of the Exchange Act.

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Large accelerated filer Accelerated filer S
Non-accelerated filer (Do not Smaller reporting company
check if a smaller reporting
company)

Indicate by check mark whether the registrant is a shell company. Yes No .

The aggregate market value of the Class A common stock of Village Super Market, Inc. held by non-affiliates was approximately \$162.1 million and the aggregate market value of the Class B common stock held by non-affiliates was approximately \$7.5 million based upon the closing price of the Class A shares on the NASDAQ on January 29, 2011, the last business day of the second fiscal quarter. There are no other classes of voting stock outstanding.

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

Class	Outstanding at October 10, 2011
Class A common stock, no par value	7,303,696 Shares
Class B common stock, no par value	6,376,304 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Information contained in the 2011 Annual Report to Shareholders and the 2011 definitive Proxy Statement to be filed with the Commission and delivered to security holders in connection with the Annual Meeting scheduled to be held on December 16, 2011 are incorporated by reference into this Form 10-K at Part II, Items 5, 6, 7, 7A, and 8 and Part III.

PART I

ITEM I. BUSINESS

(All dollar amounts in this report are in thousands, except per square foot data).

GENERAL

Village Super Market, Inc. (the “Company” or “Village”) was founded in 1937. For almost all of fiscal 2011, Village operated a chain of twenty-six ShopRite supermarkets, seventeen of which are located in northern New Jersey, one in northeastern Pennsylvania and eight in southern New Jersey. In addition, on July 7, 2011, Village acquired the store fixtures, leases and pharmacy lists of locations in Silver Spring (64,000 sq.ft.) and Timonium, Maryland (57,000 sq.ft.) for \$6,595 from SuperFresh. Village began operating pharmacies at these locations on July 7, 2011. These stores opened as ShopRites on July 28, 2011 after minor remodeling. The Company is a member of Wakefern Food Corporation (“Wakefern”), the nation's largest retailer-owned food cooperative and owner of the ShopRite name. This relationship provides Village many of the economies of scale in purchasing, distribution, private label products, advanced retail technology, marketing and advertising associated with chains of greater size and geographic coverage.

Village seeks to generate high sales volume by offering a wide variety of high quality products at consistently low prices. During fiscal 2011, sales per store were \$49,959 and sales per selling square foot were \$1,109. The Company gives ongoing attention to the décor and format of its stores and tailors each store's product mix to the preferences of the local community. Village concentrates on the development of superstores.

Village opened a 62,700 sq. ft. replacement store in Washington, New Jersey on February 21, 2010. Village opened a new 67,600 sq. ft. store in Marmora, New Jersey on May 31, 2009. On August 11, 2007, Village acquired the store fixtures and lease of a location in Galloway Township, New Jersey from Wakefern for \$3,500. This store had previously been operated by a competitor. Village opened a new 67,000 sq. ft. store in Franklin, New Jersey on November 7, 2007. Below is a summary of the range of store sizes at July 30, 2011, including the stores purchased in July 2011:

Total Square Feet	Number of Stores
Greater than 60,000	13
50,001 to 60,000	7
40,000 to 50,000	6
Less than 40,000	2
Total	28

These larger store sizes enable the Company's superstores to provide a "one-stop" shopping experience and to feature expanded higher margin specialty departments such as home meal replacement, an on-site bakery, an expanded delicatessen including prepared foods, a variety of natural and organic foods, ethnic and international foods and a fresh seafood section. Superstores also offer an expanded selection of non-food items such as cut flowers, health and beauty aids, greeting cards, small appliances and, in most cases, a pharmacy. Recently remodeled and new superstores emphasize a Power Alley, which features high margin, fresh, convenience offerings such as salad bars, bakery and Bistro Street home meal replacement in an area within the store that provides quick customer entry and exit for those customers shopping for today's lunch or dinner. In 2011, Village added on-site registered dieticians in five stores to consult with customers on healthy meals and proper nutrition, as well as leading health related events both in store and in the community as part of the Live Right with ShopRite program. The following table shows the percentage of the Company's sales allocable to various product categories during each of the periods indicated, as well as the number of superstores and percentage of selling square feet allocable to these stores during each of these periods:

Product Categories	Fiscal Year Ended In July					
	2011		2010		2009	
Groceries	38.4	%	38.5	%	38.6	%
Dairy and Frozen	17.6		17.1		17.3	
Meats	10.4		10.0		10.2	
Non-Foods	7.9		8.1		8.1	
Produce	11.5		11.7		11.5	
Appetizers and prepared food	5.4		5.4		5.4	
Seafood	2.4		2.5		2.4	
Pharmacy	4.4		4.7		4.6	
Bakery	2.0		2.0		1.8	
	100.0	%	100.0	%	100.0	%
Number of superstores	26		24		24	
Selling square feet represented by superstores	96	%	96	%	96	%

A variety of factors affect the profitability of each of the Company's stores, including local competitors, size, access and parking, lease terms, management supervision, and the strength of the ShopRite trademark in the local community. Village continually evaluates individual stores to determine if they should be closed.

DEVELOPMENT AND EXPANSION

The Company has an ongoing program to upgrade and expand its supermarket chain. This program has included store remodelings as well as the opening or acquisition of additional stores. When remodeling, Village has sought, whenever possible, to increase the amount of selling space in its stores.

Village has budgeted \$20 million for capital expenditures for fiscal 2012. This includes the beginning of construction of two replacement stores, several small remodels, and the installation of solar panels on one store.

In fiscal 2011, Village purchased the land for a replacement store and completed several small remodels. In addition, on July 7, 2011, Village acquired the store fixtures, leases and pharmacy lists of locations in Silver Spring and Timonium, Maryland.

In fiscal 2010, Village completed the construction of the replacement store in Washington, New Jersey.

In fiscal 2009, Village completed construction of a new store in Marmora, NJ which opened May 31, 2009, and began construction of the replacement store in Washington.

In fiscal 2008, Village completed the construction of the Franklin store, which opened on November 7, 2007, and acquired and remodeled a store in Galloway, New Jersey, which opened on October 3, 2007.

The general difficulty in developing retail properties in the Company's primary trading area has prevented the Company from opening the desired number of new stores. Additional store remodelings and sites for new stores are in various stages of development. Village will also consider additional acquisitions should appropriate opportunities arise.

WAKEFERN FOOD CORPORATION

The Company is the second largest member of Wakefern and owns 13.7% of Wakefern's outstanding stock as of July 30, 2011. Wakefern, which was organized in 1946, is the nation's largest retailer-owned food cooperative. Wakefern and its 47 shareholder members operate 284 supermarkets and other retail formats, including 76 stores operated by Wakefern. Only Wakefern and its members are entitled to use the ShopRite name and trademark, and to participate in ShopRite advertising and promotional programs.

The principal benefits to the Company from its relationship with Wakefern are the use of the ShopRite name and trademark, volume purchasing, ShopRite private label products, distribution and warehousing economies of scale, ShopRite advertising and promotional programs, including the ShopRite Price Plus card and a co-branded credit card, and the development of advanced retail technology. The Company believes that the ShopRite name is widely recognized by its customers and is a factor in their decisions about where to shop. ShopRite private label products accounted for approximately 13.1% of sales in fiscal 2011.

Wakefern distributes as a "patronage dividend" to each of its stockholders a share of substantially all of its earnings in proportion to the dollar volume of purchases by the stockholder from Wakefern during each fiscal year.

While Wakefern has a substantial professional staff, it operates as a member owned cooperative. Executives of most members make contributions of time to the business of Wakefern. Executives of the Company spend a significant amount of their time working on various Wakefern committees, which oversee and direct Wakefern purchasing, merchandising and other programs. James Sumas, the Company's Chief Executive Officer, is Vice Chairman of Wakefern, and a member of the Wakefern Board of Directors.

Most of the Company's advertising is developed and placed by Wakefern's professional advertising staff. Wakefern is responsible for all television, radio and major newspaper advertisements. Wakefern bills its members using various formulas which allocate advertising costs in accordance with the estimated proportional benefits to each member from such advertising. The Company also places Wakefern developed materials with local newspapers. In addition, Wakefern and its affiliates provide the Company with other services including liability and property insurance, supplies, equipment purchasing, coupon processing, certain financial accounting applications, and retail technology support.

Wakefern operates warehouses and distribution facilities in Elizabeth, Keasbey, Whitehouse, Dayton, Edison, Carteret, Newark and Jamesburg, New Jersey and Gouldsboro and Breinigsville, Pennsylvania. The Company and all other members of Wakefern are parties to the Wakefern Stockholder's Agreement which provides for certain commitments by, and restrictions on, all shareholders of Wakefern. This agreement extends until ten years from the date that stockholders representing 75% of Wakefern sales notify Wakefern that those stockholders request the Wakefern Stockholder Agreement be terminated. Each member is obligated to purchase from Wakefern a minimum of 85% of its requirements for products offered by Wakefern. If this purchase obligation is not met, the member is required to pay Wakefern's profit contribution shortfall attributable to this failure. The Company fulfilled this obligation in fiscal 2011, 2010 and 2009. This agreement also requires that in the event of unapproved changes in control of the Company or a sale of the Company or of individual Company stores, except to a qualified successor, the Company in such cases must pay Wakefern an amount equal to the annual profit contribution shortfall attributable to the sale of a store or change in control. No payments are required if the volume lost by a shareholder as a result of the sale of a store is replaced by such shareholder by increased volume in existing or new stores. A "qualified successor" must be, or agree to become, a member of Wakefern, and may not own or operate any supermarkets, other than ShopRite supermarkets, in the states of New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, Connecticut, Massachusetts, Rhode Island, Vermont, New Hampshire, Maine or the District of Columbia, or own or operate more than twenty-five non-ShopRite supermarkets in any other locations in the United States.

Wakefern, under circumstances specified in its bylaws, may refuse to sell merchandise to, and may repurchase the Wakefern stock of, any member. Such circumstances include certain unapproved transfers by a member of its supermarket business or its capital stock in Wakefern, unapproved acquisition by a member of certain supermarket or grocery wholesale supply businesses, the material breach by a member of any provision of the bylaws of Wakefern or any agreement with Wakefern, or a determination by Wakefern that the continued supplying of merchandise or services to such member would adversely affect Wakefern.

Any material change in Wakefern's method of operation or a termination or material modification of the Company's relationship with Wakefern following termination of the above agreements, or otherwise, might have an adverse impact on the conduct of the Company's business and could involve additional expense for the Company. The failure of any Wakefern member to fulfill its obligations under these agreements or a member's insolvency or withdrawal from Wakefern could result in increased costs to remaining members.

Wakefern does not prescribe geographical franchise areas to its members. The specific locations at which the Company, other members of Wakefern, or Wakefern itself, may open new units under the ShopRite name are, however, subject to the approval of Wakefern's Site Development Committee. This committee is composed of persons who are not employees or members of Wakefern. Committee decisions to deny a site application may be appealed to the Wakefern Board of Directors. Wakefern assists its members in their site selection by providing appropriate demographic data, volume projections and estimates of the impact of the proposed store on existing member supermarkets in the area.

Each of Wakefern's members is required to make capital contributions to Wakefern based on the number of stores operated by that member and the purchases generated by those stores. As additional stores are opened or acquired by a member, additional capital must be contributed by it to Wakefern. The Company's investment in Wakefern and affiliates was \$22,461 at July 30, 2011. The total amount of debt outstanding from all capital pledges to Wakefern is \$3,064 at July 30, 2011. The maximum per store capital contribution increased from \$750 to \$775 in fiscal 2011, resulting in an additional \$648 capital pledge, which was paid in fiscal 2011.

As required by the Wakefern bylaws, the Company's investment in Wakefern is pledged to Wakefern to secure the Company's obligation to Wakefern. In addition, four members of the Sumas family have guaranteed the Company's obligations to Wakefern. These personal guarantees are required of any 5% shareholder of the Company who is active in the operation of the Company. Wakefern does not own any securities of the Company or its subsidiaries. The Company's investment in Wakefern entitles the Company to enough votes to elect one member to the Wakefern Board of Directors due to cumulative voting rights.

TECHNOLOGY

The Company considers automation and information technology important to its operations and competitive position. Village completed the replacement of its point of sale systems in fiscal 2010 to improve the checkout experience and reduce training costs. Electronic payment options are offered at all checkout locations. We recently upgraded our communication network, which is used for secure, reliable, high speed processing of electronic payments and transmission of data.

The Company's commitment to advanced point of sale and communication systems enables it to participate in Price Plus, ShopRite's preferred customer program. Customers receive electronic discounts by presenting a scannable Price Plus card. This technology also enables Village to offer continuity programs and focus on target marketing initiatives.

Eighteen stores use self-checkout systems to provide improved customer service, especially during peak periods, and reduce operating costs. In fiscal 2007, we installed RFID readers in all checkout lanes to enable contactless payment options for customers to quicken checkout times.

Village utilizes a computer generated ordering system, which is designed to reduce inventory levels and out of stock conditions, enhance shelf space utilization, and reduce labor costs. This system is also utilized to reduce the cost of taking periodic inventories. The Company utilizes a direct store delivery system, consisting of personal computers and advanced hand held scanners, for product not purchased through Wakefern to provide equivalent cost and retail price control over these products.

Village seeks to design its stores to use energy efficiently, including recycling waste heat generated by refrigeration equipment for heating and other purposes. Most stores utilize computerized energy management systems. The Company installed solar panels on the roof of one store in 2010 and is currently installing a system at a second store, reducing both carbon emissions and energy costs. Certain in-store department records are computerized, including the records of all pharmacy departments. In all stores, meat, seafood, delicatessen, and bakery prices are maintained on computer for automatic weighing and pricing.

The Company has installed computer based training systems in all stores to assist in the training of associates. Village utilizes a time and attendance system and labor scheduling system to improve scheduling and reduce labor. Automated cash handling systems are utilized in the store back office to improve accuracy and reduce costs.

In fiscal 2010, Village upgraded its digital surveillance systems, which are integrated with the cashier monitoring systems, in all stores to aid shrink reduction, increase productivity and assist in accident investigations. These systems include electronic monitoring of the bottom of carts to reduce shrink.

The Company utilizes a division of Wakefern for data processing services, including financial accounting support.

Wakefern and Village have responded to customers increased use of the internet by creating an iphone app and shoprite.com to provide weekly advertising and other shopping information. In addition, on-line shopping is available in six store locations with store pick-up and delivery options.

COMPETITION

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

Some of the Company's principal competitors include Pathmark, A&P, Stop & Shop, Acme, Kings, Wal-Mart, Wegmans, Whole Foods, Costco, BJ's and Foodtown. Some of these competitors have financial resources substantially greater than those of the Company, and some are non-union.

LABOR

As of October 1, 2011, the Company employed approximately 5,700 persons with approximately 74% working part-time. Approximately 92% of the Company's employees are covered by collective bargaining agreements. Contracts with the Company's seven unions expire between October 2011 and July 2015. Approximately 45% of our associates are represented by unions whose contracts have already expired or expire within one year. Most of the Company's competitors in New Jersey are similarly unionized.

AVAILABLE INFORMATION

As a member of the Wakefern cooperative, Village relies upon our customer focused website, www.shoprite.com, for interaction with customers and prospective employees. This website is maintained by Wakefern for the benefit of all ShopRite supermarkets, and therefore, does not contain any financial information related to the Company.

The Company will provide paper copies of the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and press releases free of charge upon request to any shareholder. In addition, electronic copies of these filings can be obtained at www.sec.gov.

REGULATORY ENVIRONMENT

The Company's business requires various licenses and the registration of facilities with state and federal health and drug regulatory agencies. These licenses and registration requirements obligate the Company to observe certain rules and regulations, and a violation of these rules and regulations could result in a suspension or revocation of licenses or registrations. In addition, most licenses require periodic renewals. The Company has not experienced material difficulties with respect to obtaining or retaining licenses and registrations. In addition, the Company is subject to the requirements of the Sarbanes-Oxley Act of 2002.

ITEM 1A. RISK FACTORS

COMPETITIVE ENVIRONMENT

The supermarket business is highly competitive and characterized by narrow profit margins. Results of operations may be materially adversely impacted by competitive pricing and promotional programs, industry consolidation and competitor store openings. Village competes with national and regional supermarkets, local supermarkets, warehouse club stores, supercenters, drug stores, convenience stores, dollar stores, discount merchandisers, restaurants and other local retailers. Competition with these outlets is based on price, store location, promotion, product assortment, quality and service. Some of these competitors have greater financial resources, lower merchandise acquisition cost and lower operating expenses than we do.

GEOGRAPHIC CONCENTRATION AND NEW TRADE AREA

The Company's stores are concentrated in New Jersey, with one store in northeastern Pennsylvania and two in Maryland. We are vulnerable to economic downturns in New Jersey in addition to those that may affect the country as a whole. Economic conditions such as inflation, deflation, interest rates, energy costs and unemployment rates may adversely affect our sales and profits. Further, since our store base is concentrated in densely populated metropolitan

areas, opportunities for future store expansion may be limited, which may adversely affect our business and results of operations.

Village acquired two stores in July 2011 in Maryland, a new market for Village where the ShopRite name is less known than in New Jersey. As the Company begins operating in this new market, marketing and other costs may be higher than in established markets as Village attempts to build market share and brand awareness. In addition, sales for these two stores are initially expected to be lower than the typical Company store. Potentially higher costs and sales results lower than the Company's expectations could have a material adverse effect on the Company's results of operations.

WAKEFERN RELATIONSHIP

Village purchases substantially all of its merchandise from Wakefern. In addition, Wakefern provides the Company with support services in numerous areas including supplies, advertising, liability and property insurance, technology support and other store services. Further, Village receives patronage dividends and other product incentives from Wakefern.

Any material change in Wakefern's method of operation or a termination or material modification of Village's relationship with Wakefern could have an adverse impact on the conduct of the Company's business and could involve additional expense for Village. The failure of any Wakefern member to fulfill its obligations to Wakefern or a member's insolvency or withdrawal from Wakefern could result in increased costs to the Company. Additionally, an adverse change in Wakefern's results of operations could have an adverse affect on Village's results of operations.

LABOR RELATIONS

A significant majority of our employees are covered by collective bargaining agreements with unions, and our relationship with those unions, including any work stoppages, could have an adverse impact on our financial results.

In future negotiations with labor unions, we expect that rising health care and pension costs, among other issues, will continue to be important topics for negotiation. Upon the expiration of our collective bargaining agreements, work stoppages by the affected workers could occur if we are unable to negotiate acceptable contracts with labor unions. This could significantly disrupt our operations. Further, if we are unable to control health care and pension costs provided for in the collective bargaining agreement, we may experience increased operating costs and an adverse impact on future results of operations.

FOOD SAFETY

The Company could be adversely affected if consumers lose confidence in the safety and quality of the food supply chain. Adverse publicity about these types of concerns, whether or not valid, could discourage consumers from buying our products. The real or perceived sale of contaminated food products by us could result in a loss of consumer confidence and product liability claims, which could have a material adverse effect on our sales and operations.

MULTI-EMPLOYER PENSION PLANS

The Company is required to make contributions to multi-employer pension plans in amounts established under collective bargaining agreements. Pension expense for these plans is recognized as contributions are funded. Benefits generally are based on a fixed amount for each year of service. On April 15, 2011, Village, along with all of the other individual employers trading as ShopRite, permanently withdrew from participating in the United Food and Commercial Workers Local 152 Retail Meat Pension Fund ("the Fund"), effective the end of April 2011. The Fund is a multi-employer defined benefit plan that includes other supermarket operators. Village, along with the other affiliated ShopRite operators, determined to withdraw from the Fund due to exposures to market risks associated with all defined benefit plans and the inability to partition ShopRite's liabilities from those of the other participating supermarket operators. Village will provide affected associates with a defined contribution plan for future service, which eliminates market risks and the exposure to shared liabilities of other operators, and is estimated to be less costly than the defined benefit plan in the future, while ensuring that our associates are provided a secure benefit. The Company recorded a pre-tax charge of \$7,028 in fiscal 2011 for this withdrawal liability, which represents our estimate of the liability based on calculations provided by the Fund actuary. Village remains liable for potential additional withdrawal liabilities to the Fund in the event a mass withdrawal, as defined by statute, occurs within two plan years after the plan year of Village's withdrawal. Such liabilities could be material to the Company's consolidated financial statements.

Based on the most recent information available to us, we believe a number of these multi-employer plans are underfunded. As a result, we expect that contributions to these plans may increase. Additionally, the benefit levels and related items will be issues in the negotiation of our collective bargaining agreements. Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur withdrawal liability to the plan, which represents the portion of the plan's underfunding that is allocable to the withdrawing employer under very complex actuarial and allocation rules. The failure of a withdrawing employer to fund these obligations can impact remaining employers. The amount of any increase or decrease in our required contributions to these multi-employer pension plans will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plans, government regulations and the actual return on assets held in the plans, among other factors.

CURRENT ECONOMIC CONDITIONS

During fiscal 2011 and 2010, the supermarket industry was impacted by changing consumer behavior due to the weak economy and high unemployment. Consumers are increasingly cooking meals at home, but spending cautiously by trading down to lower priced items, including private label, and concentrating their buying on sale items. Also, the Company estimates that product prices overall experienced inflation in fiscal 2011, particularly the second half of the year; compared to deflation in fiscal 2010. Our sales and results of operations may be adversely affected if the above trends continue.

TAXES

The Company's effective tax rate may be impacted by the results of tax examinations and changes in tax laws, including the disputes with the state of New Jersey described in note 5 of the notes to the consolidated financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES