

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS INC
Form 10-Q
March 15, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549
FORM 10-Q

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

For the Quarterly period ended February 2, 2002

Commission file number 1-5745-1

FOODARAMA SUPERMARKETS, INC.

(Exact name of Registrant as specified in its charter)

New Jersey

21-0717108

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
identification No.)

922 Highway 33, Freehold, N.J. 07728

(Address of principal executive offices)

Telephone #732-462-4700

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to the filing requirements for at least the past 90 days.

Yes X No

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

CLASS	OUTSTANDING AT March 8, 2002
-----	-----
Common Stock \$1 par value	1,073,927 shares

1

FOODARAMA SUPERMARKETS, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Unaudited Consolidated Condensed Balance
Sheets February 2, 2002 and November 3, 2001

Unaudited Consolidated Condensed Statements
of Operations for the thirteen weeks ended
February 2, 2002 and January 27, 2001

Unaudited Consolidated Condensed Statements
of Cash Flows for the thirteen weeks ended
February 2, 2002 and January 27, 2001

Notes to the Unaudited Consolidated
Condensed Financial Statements

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

PART II. OTHER INFORMATION

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Disclosure Concerning Forward-Looking Statements

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

2

PART I FINANCIAL INFORMATION

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

February 2, 2002 (Unaudited)	November 3, 2001 (1)
-----	-----

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

ASSETS

Current assets:		
Cash and cash equivalents	\$ 5,714	\$ 4,219
Merchandise inventories	45,626	42,827
Receivables and other current assets	6,762	5,466
Prepaid income taxes	113	--
Related party receivables - Wakefern	4,549	8,970
Related party receivables - other	8	7
	-----	-----
	62,772	61,489
	-----	-----
Property and equipment:		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	40,853	39,589
Equipment	110,177	103,394
Property under capital leases	69,867	59,909
Construction in progress	2,463	6,787
	-----	-----
	224,888	211,207
Less accumulated depreciation and amortization	101,615	98,218
	-----	-----
	123,273	112,989
	-----	-----
Other assets:		
Investments in related parties	12,758	12,758
Intangibles	3,048	3,136
Other	2,918	2,550
Related party receivables - Wakefern	1,632	1,593
Related party receivables - other	11	11
	-----	-----
	20,367	20,048
	-----	-----
	\$206,412	\$194,526
	=====	=====

(continued)

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

See accompanying notes to the consolidated condensed financial statements.

3

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

February 2, 2002 (Unaudited)	November 3, 2001 (1)
-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Current liabilities:		
Current portion of long-term debt	\$ 5,869	\$ 5,390
Current portion of long-term debt, related party	831	902
Current portion of obligations under capital leases	1,033	899
Current income taxes payable	-	704
Deferred income taxes	1,079	1,079
Accounts payable:		
Related party-Wakefern	40,123	35,988
Others	8,073	8,780
Accrued expenses	12,716	14,654
	-----	-----
	69,724	68,396
	-----	-----
Long-term debt	19,359	19,294
Long-term debt, related party	1,129	1,310
Obligations under capital leases	64,475	54,949
Deferred income taxes	1,401	1,201
Other long-term liabilities	10,913	10,883
	-----	-----
	97,277	87,637
	-----	-----
Shareholders' equity:		
Common stock, \$1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 1,077,810 shares February 2, 2002; 1,088,220 shares November 3, 2001	1,622	1,622
Capital in excess of par	4,168	4,168
Deferred Compensation	(1,603)	(1,696)
Retained earnings	45,283	44,016
Accumulated other comprehensive income:		
Minimum pension liability	(1,920)	(1,920)
	-----	-----
	47,550	46,190
Less 543,957 shares February 2, 2002; 533,547 shares November 3, 2001, held in treasury, at cost	8,139	7,697
	-----	-----
	39,411	38,493
	-----	-----
	\$ 206,412	\$ 194,526
	=====	=====

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

See accompanying notes to the consolidated condensed financial statements.

4

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

13 Weeks Ended

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	February 2, 2002	January 27, 2001
	-----	-----
Sales	\$ 252,027	\$ 238,594
Cost of goods sold	188,635	180,765
	-----	-----
Gross profit	63,392	57,829
Selling, general and administrative expenses	59,412	53,877
	-----	-----
Earnings from operations	3,980	3,952
	-----	-----
Other income (expense):		
Interest expense	(1,907)	(2,083)
Interest income	40	79
	-----	-----
	(1,867)	(2,004)
	-----	-----
Earnings before income tax provision	2,113	1,948
Income tax provision	(846)	(780)
	-----	-----
Net income	\$ 1,267	\$ 1,168
	=====	=====
Per share information:		
Net income per common share:		
Basic	\$ 1.17	\$ 1.05
	=====	=====
Diluted	\$ 1.12	\$ 1.05
	=====	=====
Weighted average shares outstanding:		
Basic	1,079,675	1,117,290
	=====	=====
Diluted	1,133,528	1,117,290
	=====	=====
Dividends per common share	-0-	-0-
	=====	=====

See accompanying notes to the consolidated condensed financial statements.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	February 2, 2002	January 27, 2001
Cash flows from operating activities:		
Net income	\$ 1,267	\$ 1,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,405	3,056
Amortization, intangibles	88	88
Amortization, deferred financing costs	75	64
Amortization, deferred rent escalation	(58)	(15)
Provision to value inventory at LIFO	100	142
Deferred income taxes	200	182
Amortization of deferred compensation	81	-
(Increase) decrease in		
Merchandise inventories	(2,899)	(999)
Receivables and other current assets	(1,296)	(516)
Prepaid income taxes	(113)	398
Other assets	(443)	213
Related party receivables-Wakefern	4,382	3,143
Increase (decrease) in		
Accounts payable	3,428	5,418
Income taxes payable	(704)	181
Other liabilities	(1,838)	(695)
	-----	-----
	5,675	11,828
	-----	-----
Cash flows from investing activities:		
Cash paid for the purchase of property and equipment	(3,470)	(1,284)
Cash paid for construction in progress	(261)	(106)
Increase in related party receivables-other	(1)	(43)
	-----	-----
	(3,732)	(1,433)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of debt	4,000	-
Principal payments under long-term debt	(3,456)	(4,318)
Principal payments under capital lease obligations	(298)	(157)
Principal payments under long-term debt, related party	(252)	(214)
Repurchase of common stock	(442)	-
	-----	-----
	(448)	(4,689)
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,495	5,706
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	4,219	3,977
	-----	-----
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 5,714	\$ 9,683
	=====	=====

See accompanying notes to the consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1 Basis of Presentation

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

The unaudited Consolidated Condensed Financial Statements as of or for the period ending February 2, 2002, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and rule 10-01. The balance sheet at November 3, 2001 has been taken from the audited financial statements at that date. In the opinion of the management of the Company, all adjustments (consisting only of normal recurring accruals) which are considered necessary for a fair presentation of the results of operations for the period have been made. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The reader is referred to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended November 3, 2001.

At both February 2, 2002 and November 3, 2001, approximately 83% of merchandise inventories are valued by the Last-In-First-Out ("LIFO") method of inventory valuation while the balance of inventories are valued by the First-In-First-Out ("FIFO") method. If the FIFO method had been used for the entire inventory, inventories would have been \$1,723,000 and \$1,623,000 higher than reported at February 2, 2002 and November 3, 2001, respectively.

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

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

Note 2 Adoption of New Accounting Standards

Accounting for the Impairment or Disposal of Long-Lived Assets

Effective November 4, 2001 the Company adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 requires, among other things, the application of one accounting model for long-lived assets that are impaired or to be disposed of by sale. There was no significant impact from the adopting of SFAS 144 in the quarter ended February 2, 2002.

Accounting for Goodwill and Other Intangible Assets

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Accounting for Goodwill and Other Intangible Assets" which is effective for fiscal years beginning after December 15, 2001. SFAS 142 discontinues the practice of amortizing goodwill and indefinite lived intangible assets and initiates an annual review for impairment. Impairment would be examined more frequently if certain indicators are encountered. Intangible assets with a determinable useful life will continue to be amortized over that period. The Company is currently assessing, but has

7

not yet determined, the impact of SFAS 142 on its financial position and results of operations. The Company plans to adopt SFAS 142 in the first quarter of fiscal year 2003.

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

Financial Condition and Liquidity

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

The Company is a party to a Second Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") with three financial institutions. The Credit Agreement is secured by substantially all of the Company's assets and provided for a total commitment of up to \$58,000,000, including a revolving credit facility (the "Revolving Note") of up to \$28,000,000, a term loan ("the Term Loan") in the amount of \$10,000,000 and a capital expenditures facility (the "Capex Facility") of up to \$20,000,000. As of January 30, 2002, the Company and its lenders amended the Credit Agreement to increase the number of shares of common stock which the Company could repurchase from related parties from 25,000 shares to 35,000 shares. Other terms and conditions of the Credit Agreement previously reported upon by the Company have not been modified. As of February 2, 2002 the Company owed \$6,000,000 on the Term Loan and \$11,306,772 under the Capex Facility. The Term Loan is to be paid in quarterly principal payments of \$500,000 through December 31, 2004. The revolving credit facility also matures December 31, 2004 and the Capex Facility provides for the payment of interest only on its outstanding balance, an unused facility fee of .50% for the first 30 months of this loan and fixed quarterly principal payments thereafter based on a seven year amortization schedule with a balloon payment due December 31, 2004. Interest rates float on the revolving credit facility, Term Loan and Capex Facility at the Base Rate (defined below) plus .50%, .75% and .75%, respectively. The Base Rate is the rate which is the greater of (i) the bank prime loan rate as published by the Board of Governors of the Federal Reserve System, or (ii) the Federal Funds rate, plus .50%. Additionally, the Company has the ability to use the London Interbank Offered Rate ("LIBOR") plus 2.50% to determine the interest rate on the revolving credit facility and LIBOR plus 2.75% to determine the interest rate on the Term Loan and Capex Facility. The Credit Agreement contains certain affirmative and negative covenants which, among other matters, will (i) restrict capital expenditures and the amount of additional indebtedness that the Company may incur, (ii) require the maintenance of certain levels of earnings before interest, taxes, depreciation and amortization less rent payments for capitalized lease locations and changes in the LIFO reserve ("Adjusted EBITDA") and (iii) require debt service coverage and leverage ratios to be maintained.

The Company's compliance with the major financial covenants under the Credit Agreement was as follows as of February 2, 2002:

Financial Covenant -----	Credit Agreement -----	Actual (As defined in the Credit Agreement) -----
Adjusted EBITDA (1)	Greater than \$16,000,000	\$ 22,012,000
Leverage Ratio (1)	Less than 3.2 to 1.00	1.24 to 1.00
Debt Service Coverage Ratio	Greater than 1.00 to 1.00	1.84 to 1.00
Adjusted Capex (2)	Less than \$5,600,000 (3)	\$ 1,126,000 (4)
Store Project Capex	Less than \$4,500,000 (3)	\$ 2,605,000 (4)

8

- (1) Excludes obligations under capitalized leases, interest expense and depreciation expense attributable to capitalized leases and changes in the LIFO reserve.
- (2) Adjusted Capex is all capital expenditures other than New/Replacement Store Project Capex.
- (3) Represents limitations on capital expenditures for fiscal 2002.
- (4) Represents capital expenditures for the quarter ended February 2, 2002.

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

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Working Capital

At February 2, 2002, the Company had a working capital deficiency of \$6,952,000 compared to deficiencies of \$6,907,000 at November 3, 2001 and \$2,257,000 at January 27, 2001. Since the end of fiscal 2001 cash and cash equivalents improved as the result of timing differences in cash deposits; increases in inventory as the result of the inventory for the new Middletown store and promotional buy-ins; related party receivables from Wakefern decreased due to the collection of the fiscal 2001 patronage dividend receivable; and related party accounts payable to Wakefern increased as the result of increased sales, the inventory for the new Middletown store and the deferral of payment for Wakefern promotional programs.

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

Working capital ratios were as follows:

February 2, 2002	.90 to 1.0
November 3, 2001	.90 to 1.0
January 27, 2000	.97 to 1.0

Cash flows (in millions) were as follows:

	Thirteen Weeks Ended	
	2/2/02	1/27/01
	-----	-----
Operating activities...	\$ 5.7	\$ 11.8
Investing activities...	(3.7)	(1.4)
Financing activities...	(.5)	(4.7)
	-----	-----
Totals	\$ 1.5	\$ 5.7
	=====	=====

The Company had \$22,100,000 of available credit, at February 2, 2002, under its revolving credit facility. The amounts available under the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2002.

For the 13 weeks ended February 2, 2002 depreciation was \$3,405,000 while capital expenditures totaled \$3,731,000, compared to \$3,056,000 and \$1,390,000, respectively, in the prior year period. The increase in depreciation was the result of the purchase of equipment and leasehold improvements for the three locations remodeled in fiscal 2001, the new location opened in Middletown, New

9

Jersey in November 2001, as well as one additional capitalized real estate lease. The increase in capital expenditures was due to the acquisition of equipment and leasehold improvements for the location opened in the first quarter of fiscal 2002 with no comparable expenditures in fiscal 2001.

During the quarter ended February 2, 2002, the Company repurchased a total of 10,410 shares of Common Stock under the stock repurchase program announced on June 8, 2001. 9,310 of these shares were purchased in privately negotiated transactions. \$441,903, or an average of \$42.45 per share, was expended for the purchase of the 10,410 shares. Since the announcement of the stock repurchase program, the Company has repurchased 43,363 shares for \$1,650,624 or an average of \$38.07 per share.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Results of Operations (13 weeks ended February 2, 2002 compared to 13 weeks ended January 27, 2001)

Sales:

Sales for the current period totaled \$252.0 million as compared to \$238.6 million in the prior year period. Same store sales from the twenty one stores in operation in both periods increased 3.6%.

Sales for the current quarter included the operations of the new location opened in November 2001 in Middletown, New Jersey which replaced an older, smaller store in the same shopping center.

Gross Profit:

Gross profit as a percent of sales increased to 25.2% of sales compared to 24.2% in the prior year period. Patronage dividends, applied as a reduction of the cost of merchandise sold, were \$1.7 million in the current year period compared to \$1.6 million in the prior year period. Gross profit as a percentage of sales increased primarily as a result of improved product mix, a reduction in product loss through improved shrink control and the contribution of the new location.

Operating Expenses:

Selling, general and administrative expenses as a percent of sales were 23.6% versus 22.6% in the prior year period. The increase in selling, general and administrative expenses as a percent of sales was primarily due to increases in certain expense categories as a percentage of sales. As a percentage of sales, labor and related fringe benefits increased .83%, other store expenses, which included Wakefern support services and debit/credit card fees, increased .07%, supplies increased .05%, depreciation, including depreciation on capitalized leases, increased .07%, administrative expense increased .13% and pre-opening costs increased .08%. These increases were partially offset by a decrease in occupancy expense of .20%. The increase in labor and related fringe benefits was the result of additional personnel for the new Middletown store, increased sales in service intensive departments and contractual increases in fringe benefits. Pre-opening costs were for the new Middletown store opened in November 2001.

Interest Expense:

Interest expense decreased to \$1,907,000 from \$2,083,000, while interest income was \$40,000 compared to \$79,000 for the prior year period. The decrease in interest expense for the current year period was due to a net decrease in

10

average outstanding debt, including capitalized lease obligations, and a decrease in the average interest rate paid on debt.

Income Taxes:

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

Net Income:

Net income was \$1,267,000 in the current year period compared to \$1,168,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were \$7,490,000 as compared to \$7,145,000 in the prior year period. Net income per common share on a diluted basis was \$1.12 in the current period compared to \$1.05 in the prior year

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

period. Per share calculations are based on 1,133,528 shares outstanding in the current year period and 1,117,290 shares outstanding in the prior year period .

11

PART II

OTHER INFORMATION

Item 5. Other Information

As previously reported, another member of Wakefern Food Corporation ("Wakefern"), Big V Supermarkets, Inc. ("Big V"), filed for reorganization under Chapter 11 and indicated its intent to depart from Wakefern. The Company owns a 12.3% interest in Wakefern, which provides purchasing, warehousing and distribution services on a cooperative basis to its shareholder members, all of which are operators of ShopRite supermarkets. Big V, which is similar in sales volume to the Company, was unsuccessful in challenging provisions in its agreements with Wakefern which require that withdrawing members make a payment to Wakefern to make up for the resulting loss of volume to the cooperative. On November 16, 2001 Big V reported that it had entered into a term sheet, and has subsequently entered into definitive agreements, to sell substantially all of its assets to Wakefern. On February 22, 2002 the Bankruptcy Court Judge ruled that a competing offer submitted by a competitor, Stop & Shop, and supported by agreements with several creditor groups, could also be presented to the Court. Following this approval, Pathmark Stores, Inc. reported that it entered into an agreement with Stop & Shop whereby Pathmark agreed to purchase nine Big V stores from Stop & Shop for \$71 million. These transactions are subject to bankruptcy court review and approval. It is not possible to predict at this time what effect the reported transactions will have on our Company or Wakefern.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit (99) - (a) Letter Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement

(b) Letter Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement

(b) Reports on Form 8-K

December 6, 2001 - Foodarama Supermarkets, Inc. issued a press release discussing the potential sale of Big V Supermarkets, Inc., a member of Wakefern Food Corporation - press release dated November 30, 2001 filed as an exhibit

12

SIGNATURES

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

FOODARAMA SUPERMARKETS, INC.
(Registrant)

Date: March 15, 2002

/S/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro
Senior Vice President
Chief Financial Officer

Date: March 15, 2002

/S/ THOMAS H. FLYNN

(Signature)

Thomas H. Flynn
Director of Accounting
Principal Accounting Officer

13

GMAC BUSINESS CREDIT, LLC
461 FIFTH AVENUE, 21ST FLOOR
NEW YORK, NEW YORK 10117

January __, 2002

NEW LINDEN PRICE RITE, INC.
SHOP RITE OF READING, INC.
SHOP RITE OF MALVERNE, INC.
FOODARAMA SUPERMARKETS, INC.
922 Highway 33, Building 6, Suite 1
Freehold, New Jersey 07728

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Revolving Credit and Term Loan Agreement dated as of January 7, 2000 (as amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), by and among GMAC BUSINESS CREDIT, LLC. ("GMAC"), NEW LINDEN PRICE RITE, INC., a New Jersey corporation ("New Linden"), FOODARAMA SUPERMARKETS, INC., a New Jersey corporation ("Parent") (New Linden and Parent, each a "Borrower" and jointly "Borrowers"), the Guarantors signatory hereto, the lenders set forth on the signature pages hereto (collectively with their respective permitted successors and assigns, each a "Lender" and collectively,

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

"Lenders") and GMAC as agent for Lenders (in such capacity together with any successor thereto in such capacity, the "Agent"). All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

Subject to Agent's receipt of (i) this letter amendment ("Letter Amendment") duly acknowledged and agreed to by the Borrowers, the Guarantors and the Required Lenders; (ii) a UCC fixture filing to be filed, registered or recorded in order to create, in favor of Agent, a first priority perfected security interest in or lien upon the fixtures located on the 1361 Route 35, Middletown, New Jersey 07748 location ("New Middletown Location") of Borrowers; and (iii) a landlord waiver and consent, satisfactory to Agent, with respect to the New Middletown Location, Borrowers and Agent, on behalf of Lenders, hereby agree as follows:

- 1. Schedule 5.01(A) of the Loan Agreement is deleted in its entirety and replaced with Schedule 5.01(A) to this Letter Amendment.

Borrowers shall make best efforts to deliver to Agent a leasehold mortgage and related documents on the New Middletown Location (in each case, in form and substance satisfactory to Agent) within one (1) year from the execution of this Letter Amendment by the Borrowers and Guarantors.

Except as expressly provided herein, the execution, delivery and effectiveness of this Letter Amendment shall not operate as a waiver of any of

14

our rights, powers or remedies, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered thereunder or in connection therewith and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

Each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

This Letter Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same Letter Amendment. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

Very truly yours,

GMAC BUSINESS CREDIT, LLC, as a Lender and as Agent

By: _____
Its: _____

AGREED AND ACCEPTED:

NEW LINDEN PRICE RITE, INC.,
as Borrower and as Guarantor

By: _____
Title:

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS, INC.,
as Borrower and as Guarantor

By: _____
Title:

GMAC BUSINESS CREDIT, LLC,
as Agent and Lender

By: _____
Title:

15

JP MORGAN CHASE BANK,
(formerly known as THE CHASE MANHATTAN BANK)
as Lender

By: _____
Title:

CITIZENS BUSINESS CREDIT COMPANY,
as Lender

By: _____
Title:

CONSENTED AND AGREED TO:

SHOP RITE OF READING, INC.,
as Guarantor

By: _____
Title:

SHOP RITE OF MALVERNE, INC.,
as Guarantor

By: _____
Title:

16

Schedule 5.01(A)
Capital Expenditure Loans

Store #628
Location: Middletown

*Note: items listed below are not subject to 180 day limitation as detailed
in Section 5.01(A) (b).

Vendor	Invoice Date	Invoice Amount	Billed Amount	Description
--------	-----------------	-------------------	------------------	-------------

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

A & J Fixtures	1077	3/7/99	\$30,836	Penthouse and racks
A & J Fixtures	19004	12/16/99	\$277,526	Penthouse and racks
Adelco	42731	3/28/00	\$70,100	Condensers
Atlantic Food Bars	16141	3/8/00	\$7,996	Salad bar
Atlantic Food Bars	16439	7/20/00	\$46,430	Salad/grain bar
Atlantic Food Bars	16179	3/22/00	\$17,224	Hen houses, bar
Atlantic Food Bars	15572	6/23/99	\$29,740	Deposit for bars
Beroc, Inc.	5571	6/21/99	\$5,250	Cleveland Tilting Kettle
Corbo Hotel & Restaurant	41984	1/31/00	\$4,000	Bread slicer
John Weldon	1	6/26/96	\$6,500	Bakers Pride Pizza Oven
Liberty Safes of NJ	11906	1/26/99	\$2,505	Washington safe & shelf interiors
Mosler	J013363	5/20/00	\$3,758	Safe
Mosler	J006703	2/29/00	\$3,758	Safe
Sun Coast Sales & Service	3481	1/1/00	\$31,021	Grinder, tenderier, saw
Vaporlux	5452	6/18/99	\$1,230	Cleaning systems

 Total Requested \$537,874

17

Schedule 5.01(A)

Capital Expenditure Loans

Store #524

Location: North Brunswick*

*Note: items listed below are not subject to 45 day limitation as detailed in Section 5.01(A)(b).

With regard to any items purchased for the North Brunswick location, the 45 day limitation will commence upon installation.

Vendor	Invoice	Invoice Date	Billed Amount	Description
-----		----	-----	-----
CMP Refrigeration	2085	9/13/99	\$15,762	Meat case
Engo Co.	12523	5/21/99	\$500	CRC desk
Sun Coast	1576	7/30/99	\$4,500	Rebuilt patty machine

 Total Requested \$20,762

18

GMAC BUSINESS CREDIT, LLC
 461 FIFTH AVENUE, 21ST FLOOR
 NEW YORK, NEW YORK 10117

January __, 2002

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

NEW LINDEN PRICE RITE, INC.
SHOP RITE OF READING, INC.
SHOP RITE OF MALVERNE, INC.
FOODARAMA SUPERMARKETS, INC.
922 Highway 33, Building 6, Suite 1
Freehold, New Jersey 07728

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Revolving Credit and Term Loan Agreement dated as of January 7, 2000 (as amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), by and among GMAC BUSINESS CREDIT, LLC. ("GMAC"), NEW LINDEN PRICE RITE, INC., a New Jersey corporation ("New Linden"), FOODARAMA SUPERMARKETS, INC., a New Jersey corporation ("Parent") (New Linden and Parent, each a "Borrower" and jointly "Borrowers"), the Guarantors signatory hereto, the lenders set forth on the signature pages hereto (collectively with their respective permitted successors and assigns, each a "Lender" and collectively, "Lenders") and GMAC as agent for Lenders (in such capacity together with any successor thereto in such capacity, the "Agent"). All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

Subject to Agent's receipt of this letter amendment ("Letter Amendment") duly acknowledged and agreed to by the Borrowers, the Guarantors and the Required Lenders, Borrowers and Agent, on behalf of Lenders, hereby agree as follows:

1. Subsection (c) of Section 7.04 of the Loan Agreement is hereby amended by deleting the reference to "25,000" and inserting "35,000" in its place and stead.

Except as expressly provided herein, the execution, delivery and effectiveness of this Letter Amendment shall not operate as a waiver of any of our rights, powers or remedies, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered thereunder or in connection therewith and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

Each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

19

This Letter Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same Letter Amendment. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

Very truly yours,

GMAC BUSINESS CREDIT, LLC, as a
Lender and as Agent

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

By: _____
Its: _____

AGREED AND ACCEPTED:

NEW LINDEN PRICE RITE, INC.,
as Borrower and as Guarantor

By: _____
Title:

FOODARAMA SUPERMARKETS, INC.,
as Borrower and as Guarantor

By: _____
Title:

GMAC BUSINESS CREDIT, LLC,
as Agent and Lender

By: _____
Title:

20

JP MORGAN CHASE BANK
(formerly known as THE CHASE MANHATTAN BANK),
as Lender

By: _____
Title:

CITIZENS BUSINESS CREDIT COMPANY,
as Lender

By: _____
Title:

CONSENTED AND AGREED TO:

SHOP RITE OF READING, INC.,
as Guarantor

By: _____
Title:

SHOP RITE OF MALVERNE, INC.,
as Guarantor

By: _____
Title:

21

