FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FOOD 4 LESS SUPERMARKETS INC

CIK:**835676**| IRS No.: **954222386** | State of Incorp.:**DE** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **033-46750** | Film No.: **94529161**
SIC: **5411** Grocery stores

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT
UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended April 2, 1994	Commission File Number 33-31152

FOOD 4 LESS SUPERMARKETS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	95-4222386
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification Number)

777 South Harbor Boulevard La Habra, California	90631
(Address of principal executive offices)	(Zip code)

(714) 738-2000
(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 (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 X No .

At May 17, 1994, there were 1,503,106 shares of Common Stock outstanding. As of such date, none of the outstanding shares of Common Stock was held by persons other than affiliates and employees of the registrant, and there was no public market for the Common Stock.

FOOD 4 LESS SUPERMARKETS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FOOD 4 LESS SUPERMARKETS, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

<TABLE>
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ASSETS	April 2, 1994 (unaudited)	June 26, 1993
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 38,871	$ 25,089
Trade receivables, less allowances of $899 and $1,919 at April 2, 1994 and June 26, 1993, respectively	24,232	22,048
Notes and other receivables	9,401	1,278
Inventories	203,982	191,467
Patronage receivables from suppliers	1,895	2,680
Prepaid expenses and other	11,415	6,011
Total current assets	289,796	248,573
INVESTMENTS IN AND NOTES RECEIVABLE FROM SUPPLIER COOPERATIVES:		
A. W. G.	6,718	6,693
Certified and Others	6,092	6,657
PROPERTY AND EQUIPMENT:		
Land	23,488	23,912
Buildings	12,827	12,827
Leasehold improvements	90,752	81,049
Store equipment and fixtures	138,315	129,178

Transportation equipment	32,223	31,758
Construction in progress	2,757	757
Leased property under capital leases	77,259	77,553
Leasehold interests	94,004	93,863
	-------	-------
	471,625	450,897
Less: Accumulated depreciation and amortization	124,249	96,948
	-------	-------
Net property and equipment	347,376	353,949
OTHER ASSETS:		
Deferred financing costs, less accumulated amortization of $15,821 and $11,611 at April 2, 1994 and June 26, 1993, respectively	29,792	33,778
Goodwill, less accumulated amortization of $32,158 and $26,254 at April 2, 1994 and June 26, 1993, respectively	277,414	280,895
Other, net	25,537	27,295
	-------	--------
	$982,725	$957,840
	=======	=======

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

FOOD 4 LESS SUPERMARKETS, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDER'S EQUITY	April 2, 1994	June 26, 1993
	--------	--------
	(unaudited)	
<S>	<C>	<C>
CURRENT LIABILITIES:		
Accounts payable	$154,516	$140,468
Accrued payroll and related liabilities	45,948	40,319
Accrued interest	15,646	5,293
Other accrued liabilities	53,471	40,467
Income taxes payable	2,793	2,053
Current portion of self-insurance liabilities	24,080	23,552
Current portion of long-term debt	17,844	12,778
Current portion of obligations under capital leases	3,595	2,865
	-------	-------
Total current liabilities	317,893	267,795
LONG-TERM DEBT	311,877	335,576
OBLIGATIONS UNDER CAPITAL LEASES	39,651	41,864
SENIOR SUBORDINATED DEBT	145,000	145,000
DEFERRED INCOME TAXES	23,675	22,429
SELF-INSURANCE LIABILITIES AND OTHER	78,008	72,313
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDER'S EQUITY:		
Cumulative convertible preferred stock, $.01 par value, 200,000 shares authorized and 50,000 shares outstanding at April 2, 1994 and June 26, 1993 (aggregate liquidation value of $60.2 million and $53.8 million at April 2, 1994 and June 26, 1993, respectively)	56,974	50,230
Common stock, $.01 par value, 1,600,000 shares authorized; 1,519,632 shares issued at April 2, 1994 and June 26, 1993	15	15
Additional paid-in capital	107,650	107,650
Notes receivable from shareholders of parent	(596)	(714)
Retained deficit	(95,211)	(83,119)
	-------	-------
	68,832	74,062
Treasury stock: 16,320 and 13,249 shares of common stock at April 2, 1994 and June 26, 1993, respectively	2,211	1,199
	-------	-------
Total stockholder's equity	66,621	72,863
	-------	-------

$982,725	$957,840
=======	=======

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

FOOD 4 LESS SUPERMARKETS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	12 Weeks Ended April 2, 1994	12 Weeks Ended April 3, 1993
<S>	<C>	<C>
SALES	$ 587,871	$ 620,010
COST OF SALES (including purchases from related parties for the 12 weeks ended April 2, 1994 and April 3, 1993 of 40,223 and $43,492, respectively)	432,174	456,205
GROSS PROFIT	155,697	163,805
SELLING, GENERAL, ADMINISTRATIVE AND OTHER, NET excluding depreciation and amortization	127,647	140,617
DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT	9,597	8,961
AMORTIZATION OF GOODWILL AND OTHER ASSETS	3,416	5,328
	---------	---------
OPERATING INCOME	15,037	8,899
INTEREST EXPENSE:		
Interest expense, excluding amortization of deferred financing costs	13,198	13,337
Amortization of deferred financing costs	1,262	1,140
	---------	---------
	14,460	14,477
	---------	---------
UNUSUAL EARTHQUAKE LOSSES	4,504	-
LOSS BEFORE PROVISION FOR INCOME TAXES	(3,927)	(5,578)
PROVISION FOR INCOME TAXES	400	200
	---------	---------
NET LOSS	$ (4,327)	$ (5,778)
	=========	==========
LOSS APPLICABLE TO COMMON SHARES	$ (6,350)	$ (7,624)
	========	==========
LOSS PER COMMON SHARE	$ (4.22)	$ (5.04)
	=========	==========
Average Common Shares Outstanding	1,503,641	1,513,938
	=========	=========

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

FOOD 4 LESS SUPERMARKETS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	40 Weeks Ended April 2, 1994	40 Weeks Ended April 3, 1993
SALES	$2,004,084	$2,118,980
COST OF SALES (including purchases from related parties for the 40 weeks ended April 2, 1994 and April 3, 1993 of $146,283 and $162,424, respectively)	1,471,829	1,567,265
GROSS PROFIT	532,255	551,715
SELLING, GENERAL, ADMINISTRATIVE AND OTHER, NET excluding depreciation and amortization	440,567	482,626
DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT	31,429	29,259
AMORTIZATION OF GOODWILL AND OTHER ASSETS	11,956	15,565
OPERATING INCOME	48,303	24,265
INTEREST EXPENSE:		
Interest expense, excluding amortization of deferred financing costs	43,837	44,961
Amortization of deferred financing costs	4,210	3,660
	48,047	48,621
UNUSUAL EARTHQUAKE LOSSES	4,504	-
LOSS BEFORE PROVISION FOR INCOME TAXES	(4,248)	(24,356)
PROVISION FOR INCOME TAXES	1,100	568
NET LOSS	$ (5,348)	$ (24,924)
LOSS APPLICABLE TO COMMON SHARES	$ (12,092)	$ (26,960)
LOSS PER COMMON SHARE	$ (8.04)	$ (18.80)
Average Common Shares Outstanding	1,504,064	1,433,971

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

FOOD 4 LESS SUPERMARKETS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	40 Weeks Ended April 2, 1994	40 Weeks Ended April 3, 1993
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Cash received from customers	$2,004,084	$2,118,980
Cash paid to suppliers and employees	(1,912,797)	(2,106,515)
Interest paid	(33,485)	(35,115)
Income taxes refunded	1,354	544
Other, net	2,354	3,857
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	61,510	(18,249)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	12,626	13,271
Payment for purchase of property and equipment	(32,694)	(46,683)

Payment of business acquisition costs	(6,570)	-
Other, net	143	(813)
NET CASH USED BY INVESTING ACTIVITIES	(26,495)	(34,225)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES:		
Payments of long-term debt	(13,761)	(10,111)
Payments of capital lease obligation	(3,096)	(2,152)
Net change in Revolving Loan	(4,900)	5,683
Proceeds from issuance of debt	1,641	26,531
Proceeds from sale of preferred stock	-	46,348
Proceeds from sale of common stock	-	3,652
Purchase of treasury stock, net	(944)	(276)
Other, net	(173)	(8,503)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(21,233)	61,172
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,782	8,698
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,089	24,477
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 38,871	$ 33,175

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

FOOD 4 LESS SUPERMARKETS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	<C> 40 Weeks Ended April 2, 1994	<C> 40 Weeks Ended April 3, 1993
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net loss	$(5,348)	$(24,924)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	47,594	48,484
Provision for self-insurance, net	6,165	(733)
Loss (gain) on sale of assets	66	(516)
Equity loss on investments in supplier cooperative	540	-
Change in assets and liabilities:		
Accounts and notes receivable	(9,522)	19,812
Inventories	(8,216)	25,115
Prepaid expenses and deposits	(9,841)	(7,954)
Other assets	-	289
Accounts payable and accrued liabilities	37,618	(78,934)
Deferred income taxes	1,714	550
Income taxes payable	740	562
Total adjustments	66,858	6,675
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$61,510	$(18,249)
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Accretion of preferred stock	$ 6,744	$ 2,036
Acquistion of business:		
Fair value of assets acquired	$11,187	$ -
Cash paid in acquisition	(6,570)	-

Liabilities assumed	$ 4,617	$ -
	======	=======

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

FOOD 4 LESS SUPERMARKETS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Treasury Stock	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCES AT JUNE 26,1993	50,000	$50,230	1,519,632	$15	(13,249)	$(1,199)
Payment of Shareholders' Notes (unaudited)	-	-	-	-	-	-
Purchase of Treasury Stock (unaudited)	-	-	-	-	(3,071)	(1,012)
Accretion of Preferred Stock (unaudited)	-	6,744	-	-	-	-
Net loss (unaudited)	-	-	-	-	-	-
BALANCES AT APRIL 2,1994 (unaudited)	50,000	$56,974	1,519,632	$15	(16,320)	$(2,211)
	======	=======	=========	===	========	========

</TABLE>

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	Share-holders' Notes	Add'l Paid-In Capital	Retained Deficit	Total Stockholder's Equity
<S>	<C>	<C>	<C>	<C>
BALANCES AT JUNE 26,1993	$(714)	$107,650	$(83,119)	$72,863
Payment of Shareholders' Notes (unaudited)	50	-	-	50
Purchase of Treasury Stock (unaudited)	68	-	-	(944)
Accretion of Preferred Stock (unaudited)	-	-	(6,744)	-
Net loss (unaudited)	-	-	(5,348)	(5,348)
BALANCES AT APRIL 2,1994 (unaudited)	$(596)	$107,650	$(95,211)	$66,621
	======	========	=========	=======

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

1. BASIS OF PRESENTATION

The consolidated balance sheet of Food 4 Less Supermarkets, Inc. (the "Company") as of April 2, 1994 and the consolidated statements of operations and cash flows for the interim periods ended April 2, 1994 and April 3, 1993 are unaudited, but include all adjustments (consisting of only normal recurring accruals) which the Company considers necessary for a fair presentation of its consolidated financial position, results of operations, and cash flows for these periods. These interim financial statements do not include all disclosures required by generally accepted accounting principles, and, therefore, should be read in conjunction with the Company's financial statements and notes thereto included in the Company's latest annual report filed on Form 10-K. Results of operations for interim periods are not necessarily indicative of the results for a full fiscal year.

The Company is a vertically integrated supermarket company with 259 stores located in Southern California, Northern California, and certain areas of the midwest. The Company's Southern California division includes a manufacturing facility, with bakery and creamery operations, and a full-line warehouse and distribution facility.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories, which consist of grocery products, are stated at the lower of cost or market. Cost has been principally determined using the last-in, first-out ("LIFO") method. If inventories had been valued using the first-in, first-out ("FIFO") method inventories would have been higher by $16,058,000 and $13,103,000 at April 2, 1994 and June 26, 1993, respectively, and gross profit and operating income would have been greater by $735,000 and $1,005,000 for the 12 weeks ended April 2, 1994 and April 3, 1993, respectively, and $2,955,000 and $3,386,000 for the 40 weeks ended April 2, 1994 and April 3, 1993, respectively.

Income Taxes

The Company implemented SFAS No. 109, Accounting for Income Taxes, effective June 27, 1993. Income taxes for the 40 weeks ended April 3, 1993 have not been restated for this change. Under SFAS No. 109 deferred tax assets and liabilities (and related income tax expense) are determined based on differences between the financial reporting and tax basis of assets and liabilities. The measurement of deferred income tax assets is adjusted by a valuation reserve, if necessary, so that the net tax benefits are recognized only to the extent that they will be realized.

The implementation of SFAS No. 109 did not have a material effect on the accompanying unaudited consolidated financial statements.

Reclassifications

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the April 2, 1994 presentation.

3. UNUSUAL EARTHQUAKE LOSSES

On January 17, 1994, Southern California was struck by a major earthquake which resulted in the closing of 31 of the Company's stores. The closures were caused primarily by loss of electricity, water, inventory, or structural damage. All but one of the closed stores reopened within a week of the earthquake. The final closed store reopened on March 24, 1994. The Company is insured against earthquake losses (including business interruption). The pre-tax financial impact, net of insurance claims, is estimated to be approximately $4.5 million. The Company reserved for this charge during the 12 weeks ended April 2, 1994.

4. ACQUISITION

On March 29, 1994, the Company purchased certain operating assets of Food Barn (the "Food Barn Acquisition") for $11,187,000 (including acquisition costs of $180,000). The financial statements reflect the preliminary allocation of the purchase price as certain appraisals and other information required to finalize the purchase price allocations have not been completed.

5. SUBSIDIARY REGISTRANTS

Separate financial statements of the Company's subsidiaries (collectively, the "Subsidiary Guarantors") neither are included herein nor otherwise filed on Form 10-Q because such Subsidiary Guarantors are jointly and severally liable as guarantors of the Company's 10.45% Senior Notes due 2000 and 13-3/4% Senior Subordinated Notes due 2001, and the aggregate assets, earnings and equity of the Subsidiary Guarantors are substantially equivalent to the assets, earnings and equity of the Company on a consolidated basis.

ITEM 2. MANAGEMRNT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS (UNAUDITED)

The following table sets forth the selected unaudited operating results of the Company for the 12 and 40 weeks ended April 2, 1994 and April 3, 1993:

<TABLE>
<CAPTION>

	12 Weeks Ended				40 Weeks Ended			
	April 2, 1994		April 3, 1993		April 2, 1994		April 3, 1993	
							(dollars in millions) (unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales	$587.8	100.0 %	$620.0	100.0 %	$2,004.1	100.0 %	$2,119.0	100.0 %
Gross profit	155.6	26.5 %	163.8	26.4 %	532.3	26.6 %	551.7	26.0 %
Selling, general, administrative and other, net	127.6	21.7 %	140.6	22.7 %	440.6	22.0 %	482.6	22.8 %
Depreciation and amortization	13.0	2.2 %	14.3	2.3 %	43.4	2.2 %	44.8	2.1 %
Operating income	15.0	2.6 %	8.9	1.4 %	48.3	2.4 %	24.3	1.1 %
Interest expense	14.4	2.4 %	14.5	2.3 %	48.0	2.4 %	48.6	2.3 %
Unusual earthquake losses	4.5	0.8 %	-	0.0 %	4.5	0.2 %	-	0.0 %
Income tax expense	0.4	0.1 %	0.2	0.0 %	1.1	0.1 %	0.6	0.0 %
Net loss	(4.3)	(0.7)%	(5.8)	(0.9)%	(5.3)	(0.3)%	(24.9)	(1.2)%

</TABLE>

Sales. Sales per week decreased $2.7 million, or 5.2%, from $51.7 million in the 12 weeks ended April 3, 1993 to $49.0 million in the 12 weeks ended April 2, 1994 and decreased $2.9 million, or 5.4%, from $53.0 million in the 40 weeks ended April 3, 1993 to $50.1 million in the 40 weeks ended April 2, 1994. The decline in sales for the 12 weeks ended April 2, 1994 resulted primarily from a 4.7% decline in same store sales and the temporary closure of seven stores being converted from conventional formats to the warehouse format. These decreases are partially offset by sales from new and remodeled stores opened since the 12 weeks ended April 3, 1993. The decline in sales for the 40 weeks ended April 2, 1994 resulted primarily from a 6.4% decline in same store sales, partially offset by sales from new and remodeled stores opened during fiscal 1993 and the 40 weeks ended April 2, 1994. Management believes that the decline in same store sales is attributable to the weak economy in Southern California and, to a lesser extent, in the Company's other operating areas, and increased competitive store openings in Southern California.

Gross Profit. Gross profit increased as a percentage of sales from 26.4% in the 12 weeks ended April 3, 1993 to 26.5% in the 12 weeks ended April 2, 1994 and increased from 26.0% in the 40 weeks ended April 3, 1993 to 26.6% in the 40 weeks ended April 2, 1994. Increases in gross profit margin are primarily attributable to improvements in product procurement, cost savings, and operating efficiencies associated with the Company's manufacturing and distribution facilities offset by an increase in the number of warehouse format stores (which have lower gross margins resulting from prices that are generally 5-12% below the prices in the Company's conventional stores) from 44 at April 3, 1993 to 65 at April 2, 1994, and the fixed cost component of gross profit being compared to a lower sales base.

Selling, General, Administrative and Other Expenses. Selling, general, administrative and other expenses, excluding depreciation and amortization ("SG&A") were $140.6 million and $127.6 million for the 12 weeks and $482.6 million and $440.6 million for the 40 weeks ended April 3, 1993 and April 2, 1994, respectively. SG&A decreased as a percentage of sales from 22.7% to 21.7% and from 22.8% to 22.0% for the same periods as a result of tight control of administrative and store level expenses, primarily payroll costs due to increased labor productivity and Commercial Workers Unions contract. The cost reductions were partially offset by a greater fixed cost component resulting from a lower sales base and increased rent attributable to additional operating leases associated with equipment in new and remodeled stores.

Depreciation and Amortization. Depreciation and amortization decreased $1.3 million from $14.3 million to $13.0 million and decreased $1.4 million from $44.8 million to $43.4 million for the 12 weeks and the 40 weeks ended April 3, 1993 and April 2, 1994, respectively. Depreciation and amortization decreased primarily as a result of a decrease in amortizable assets, partially offset by an increase in depreciable assets resulting from new stores and remodels completed during the 40 weeks ended April 2, 1994.

Interest Expense. Interest expense (including amortization of deferred financing costs) was $14.5 million and $14.4 million for the 12 weeks and $48.6 million and $48.0 million for the 40 weeks ended April 3, 1993 and April 2, 1994, respectively. The decrease in interest expense is due primarily to the reduction of indebtedness as a result of reduced borrowings under the Revolving Credit Facility combined with decreased interest rates on the Term Loan.

Unusual Earthquake Losses. On January 17, 1994, Southern California was struck by a major earthquake which resulted in the closing of 31 of the Company's stores. The closures were caused primarily by loss of electricity, water, inventory, or structural damage. All but one of the closed stores reopened within a week of the earthquake. The final closed store reopened on March 24, 1994. The Company is insured against earthquake losses (including business interruption). The pre-tax financial impact, net of insurance claims, is expected to be approximately $4.5 million. The Company reserved for this charge during the 12 weeks ended April 2, 1994.

Net Loss. Net loss of $5.8 million and $24.9 million in the 12 and 40 weeks ended April 3, 1993 decreased to a net loss of $4.3 million and $5.3 million in the 12 and 40 weeks ended April 2, 1994 primarily as a result of the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations, amounts available under the Revolving Credit Facility and leases are the Company's principal sources of liquidity. The Company believes that these sources will be adequate to meet its anticipated capital expenditures, working capital needs and debt service requirements during fiscal 1994. There can be no assurance that the Company will continue to generate cash flow from operations at current levels or that it will be able to make future borrowings under the Revolving Credit Facility.

During the 40-week period ended April 2, 1994, the Company generated approximately $61.5 million of cash from its operating activities compared to $18.2 million used by operating activities for the 40 weeks ended April 3, 1993. The improvement is due primarily to changes in operating assets and liabilities and an increase in operating income for the 40 weeks ended April 2, 1994 compared to the 40 weeks ended April 3, 1993. The Company's principal use of cash in its operating activities is inventory purchases. The Company's high inventory turnover allows it to finance a substantial portion of its inventory through trade payables, thereby reducing its short-term borrowing needs. At April 2, 1994, this resulted in a working capital deficit of $28.1 million.

Cash used for investing activities was $26.5 million for the 40 weeks ended April 2, 1994. Investing activities consisted primarily of capital expenditures of $32.7 million, partially offset by $10.0 million of sale/leaseback transactions, and $6.6

million of Food Barn Acquisition costs. The capital expenditures, net of the proceeds from sale/leaseback transactions, and the Food Barn Acquisition costs were financed from cash provided by operating activities.

The capital expenditures discussed above were made to build nine new stores (two of which have been completed) and remodel or convert 23 stores (all of which have been completed). The Company currently anticipates that its aggregate capital Consistent with its past practices, the Company intends to finance these capital expenditures primarily with cash provided by operations and through operating leases. At April 2, 1994, the Company had approximately $1.0 million of unused equipment leasing facilities. No assurance can be given that sources of

financing for capital expenditures will be available or sufficient. However, the capital expenditure program has substantial flexibility and is subject to revision based on various factors, including business conditions, changing time constraints and cash flow requirements. Management believes that if the Company were to substantially reduce or postpone these programs, there would be no substantial impact on short-term operating profitability. However, management also believes that the construction of warehouse format stores is an important component of its operating strategy. In the long term, if these programs were substantially reduced, management believes its operating businesses, and ultimately its cash flow, would be adversely affected. The capital expenditures discussed above do not include potential acquisitions which the Company could make to expand within its existing markets or to enter other markets. The Company has grown through acquisitions in the past and from time to time engages in discussions with potential sellers of individual stores, groups of stores or other retail supermarket chains.

Cash used by financing activities was $21.2 million for the 40 weeks ended April 2, 1994, which was primarily an $11.4 million repayment of the Term Loan and repayment of the $4.9 million of borrowings outstanding on the Revolving Credit Facility at June 26, 1993. At May 17, 1994, there were no borrowings outstanding on the $70 million Revolving Credit Facility, and $50.4 million of standby letters of credit had been issued under the $55 million Letter of Credit Facility.

The Company is highly leveraged. At April 2, 1994, the Company's total long-term indebtedness (including current maturities) and stockholder's equity were $518.0 million and $66.6 million, respectively. For the 40 weeks ended April 2, 1994, earnings were inadequate to cover fixed charges by $4.2 million. However, the earnings for such period included non-cash charges of $47.6 million, primarily consisting of depreciation and amortization.

EFFECTS OF INFLATION AND COMPETITION

The Company's primary costs, inventory and labor, are affected by a number of factors that are beyond its control, including availability and price of merchandise, the competitive climate and general and regional economic conditions. As is typical of the supermarket industry, the Company has generally been able to maintain margins by adjusting its retail prices, but competitive conditions may from time to time render it unable to do so while maintaining its market share.

SUBSIDIARY REGISTRANTS

Separate financial statements of the Company's subsidiaries (collectively, the "Subsidiary Guarantors") are neither included herein nor otherwise filed on Form 10-Q because such Subsidiary Guarantors are jointly and severally liable as guarantors of the Company's Senior Notes and Subordinated Notes, and the aggregate assets, earnings and equity of the Subsidiary Guarantors are substantially equivalent to the assets, earnings and equity of the Company on a consolidated basis.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of Orange, State of California.

Dated: May 17, 1994 FOOD 4 LESS SUPERMARKETS, INC.

/s/ Ronald W. Burkle

Ronald W. Burkle
Chief Executive Officer

/s/ Greg Mays

Greg Mays
Chief Financial Officer