

SECURITIES AND EXCHANGE COMMISSION

FORM 424B5

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FILER

SMITHS FOOD & DRUG CENTERS INC

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SIC: **5411** Grocery stores

Business Address
*1550 S REDWOOD RD
SALT LAKE CITY UT 84104
8019741400*

INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THAT A FINAL PROSPECTUS SUPPLEMENT IS DELIVERED. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS SUPPLEMENT (Subject to Completion, dated March 16, 1994)
(To Prospectus dated January 26, 1994)

\$155,000,000

Smith's Food & Drug Centers, Inc.
1994-A Pass Through Trusts
PASS THROUGH CERTIFICATES, SERIES 1994-A

Each Pass Through Certificate offered hereby will represent a fractional undivided interest in one of the three Smith's Food & Drug Centers 1994-A Pass Through Trusts (the "Trusts") to be formed pursuant to a pass through trust agreement and three separate trust supplements between Smith's Food & Drug Centers, Inc. (the "Company") and Wilmington Trust Company (the "Pass Through Trustee"), as trustee under each Trust. The property of the Trusts will consist of notes (the "Notes") issued on a nonrecourse basis by the trustee of an owner trust (the "Owner Trustee") in connection with nine separate leveraged lease transactions to finance or refinance not more than 82% of the cost to the Owner Trustee of its interest in certain properties described in this Prospectus Supplement (each, a "Property" and collectively, the "Properties") which have been or will be leased to the Company.

The Notes in respect of each Property will be issued in three series. Each Trust will purchase one series of the Notes issued with respect to each Property such that all of the Notes held in each Trust will have an interest rate corresponding to the interest rate applicable to the Pass Through Certificates issued by such Trust. The maturity dates of the Notes acquired by each Trust will occur on or before the final distribution date applicable to the Pass Through Certificates issued by such Trust. The Notes with respect to each Property will be secured by a mortgage of the Owner Trustee's interest in such Property and by an assignment of certain of the Owner Trustee's rights under the Lease (as defined herein) related thereto, including the right to receive rent and certain other amounts payable by the Company thereunder. Although neither the Pass Through Certificates nor the Notes are direct obligations of or guaranteed by the Company, the amounts unconditionally payable by the Company under the Leases for lease of the Properties will be sufficient to pay in full when due all payments required to be made on the Notes held in the Trusts.

The Notes to be held in each Trust will be purchased by such Trust at varying discounts from par, and during the period from the closing of the public offering of the Pass Through Certificates to _____ in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, will provide a return consisting of accretion of discount, such that the yield to _____ in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust of each Note held by such Trust will equal the semi-annual bond equivalent rate corresponding to the interest rate per annum applicable to the related series of Pass Through Certificates. From and after _____ in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, all of the Notes held in each such Trust will accrue interest payable in cash at the applicable rate per annum for the Pass Through Certificates issued by such Trust. On January 2 and July 2 of each year, commencing _____ in the case of the 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, interest will be passed through to Certificateholders of each such Trust on each such date. The principal payment and all accrued interest on the Notes held in the 1994-A1 Trust will be passed through to the Certificateholders of such Trust in full on the maturity date of such Trust, _____ . Principal payments on the Notes held in the 1994-A2 Trust and 1994-A3 Trust, respectively, will be passed through to Certificateholders of such Trust in scheduled amounts on January 2 or July 2, or both, in certain years, commencing on the initial scheduled principal distribution date for such Trust set forth below, until the final distribution date for such Trust. The Proceeds to Pass Through Trustee of the Pass Through Certificates shown below equals the sum of the prices at which the Notes will be sold to the Trusts upon original issue, as described above.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PASS THROUGH CERTIFICATES	PRINCIPAL AMOUNT AT MATURITY	INTEREST RATE (1)	INITIAL SCHEDULED PRINCIPAL DISTRIBUTION DATE	FINAL DISTRIBUTION DATE	PRICE TO PUBLIC (2) (3)	PROCEEDS TO PASS THROUGH TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1994-A1	\$	%			%	\$
1994-A2						
1994-A3						

- (1) Payable from and after _____ in the case of the 1994-A1 and 1994-A2 Certificates and _____ in the case of the 1994-A3 Certificates, as more particularly set forth herein.
- (2) Plus accretion of original issue discount, if any, at the applicable interest rate from _____, 1994.
- (3) The underwriting commission of \$ _____ constitutes _____ % of the principal amount at maturity of the Pass Through Certificates. The underwriting commissions and certain other expenses, estimated at \$ _____, will be payable by the Owner Trustee in the leveraged lease transactions (other than certain expenses to be paid directly by the Company). The proceeds from the sale of the Pass Through Certificates will be used to purchase the Notes from the Owner Trustee.

The Pass Through Certificates are offered by the Underwriters, subject to prior sale, when, as and if accepted by the Underwriters, and subject to approval of certain legal matters by Shearman & Sterling, counsel for the Underwriters. It is expected that delivery of the Pass Through Certificates in book-entry form will be made on or about _____, 1994 through the facilities of The Depository Trust Company, against payment therefor in immediately available funds.

MORGAN STANLEY & CO.
Incorporated

GOLDMAN, SACHS & CO.

SALOMON BROTHERS INC

, 1994

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS SUPPLEMENT, AND, IF OTHER INFORMATION OR REPRESENTATIONS ARE GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY THE UNDERWRITERS. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES OTHER THAN THE SECURITIES TO WHICH THEY RELATE OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus Supplement and the Prospectus accompanying this Prospectus Supplement (the "Prospectus").

THE COMPANY

Smith's Food & Drug Centers, Inc., headquartered in Salt Lake City, Utah, is a leading regional supermarket chain operating 129 stores as of January 1, 1994 in Arizona, California, Idaho, Nevada, New Mexico, Texas, Utah and Wyoming with an average store size of 66,000 square feet.

The Company develops, owns and operates combination food and drug centers which offer a full selection of supermarket food items, a wide assortment of nonfood and drug items and a number of specialty departments. Primary food products sold in the stores include groceries, meat, poultry, produce, dairy products, delicatessen items, prepared foods, bakery products, frozen foods and take-out foods, as well as specialty fish, meat and cheese. Nonfood items available in the stores include full-line pharmacy and related over-the-counter drug items, health and beauty aids, video rentals, in-store banking services, housewares, toys, camera/photo department items, one-hour photo processing, cosmetics and other general merchandise. The Company's 129 stores at January 1, 1994 consisted of 115 combination food and drug centers averaging 69,200 square feet per store, 12 superstores averaging 40,500 square feet per store and two conventional stores averaging 26,000 square feet per store.

THE OFFERING

Glossary.....	Included at the end of this Prospectus Supplement as an Appendix is a Glossary of certain of the significant defined terms used herein.
Trusts.....	Each of the three Smith's Food & Drug Centers, Inc. 1994-A Pass Through Trusts (the "1994-A1 Trust,"

"1994-A2 Trust" and "1994-A3 Trust," respectively) is to be formed pursuant to a separate trust supplement (a "Trust Supplement") to the Pass Through Trust Agreement (the "Basic Agreement") between the Pass Through Trustee and the Company. Each Trust will be a separate entity.

Trust Property..... The property of each of the Trusts will consist of Notes issued on a non-recourse basis by the Owner Trustee in nine separate leveraged lease transactions to (a) finance not more than 82% of the cost to the Owner Trustee of acquiring its interests in two Properties from the Company, which interests will be leased to the Company concurrently with the closing of the public offering of the Certificates, or (b) refinance not more than 82% of the cost to the Owner Trustee of acquiring its interests in seven Properties which were acquired from the Company by the Owner Trustee and leased to the Company on December 29, 1993. Each Property is located in California, was built by the Company and was first put into service after October 1992.

The Notes with respect to each of the nine Properties will be issued in three series pursuant to the Trust Indenture and Security Agreement (the "Trust Indenture") between the Owner Trustee and Wilmington Trust Company as trustee thereunder (in such capacity, the "Loan Trustee") as supplemented by, with respect to each Property, an indenture supplement thereto (each a "Supplemental Indenture," and together with the Trust Indenture, with respect to each Property, an "Indenture") among the Owner Trustee, the Loan Trustee and

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Stewart Title of California, as trustee. Each Trust will acquire all of a series of Notes with respect to each Property, and the maturity dates of the Notes acquired by each Trust will occur on or before the final distribution date applicable to the Pass Through Certificates, Series 1994-A (the "Certificates") issued by such Trust. The aggregate principal amount of the Notes to be held in each Trust will be the same as the aggregate principal amount of the Certificates issued by that Trust.

Certificates Offered;

Book-Entry Registration.... Each Certificate will represent a fractional undivided interest in the related Trust. The Certificates of each Trust will be issued in fully registered form only and will be registered in the name of Cede & Co. ("Cede"), as the nominee of The Depository Trust Company ("DTC"). No person acquiring an interest in the Certificates will be entitled to receive a definitive certificate representing such person's interest in the Trust, unless definitive certificates are issued, which will only occur under limited circumstances. See "Description of the Certificates -- General" in this Prospectus Supplement and "Description of the Certificates -- General" and "-- Book-Entry Registration" in the Prospectus.

Denominations..... The Certificates of each Trust will be issued only in integral multiples of \$1,000.

Regular Distribution

Dates..... January 2 and July 2.

Special Distribution

Dates..... Any Business Day (as defined in the Glossary) on which a Special Payment is to be distributed.

Record Dates..... The fifteenth day preceding a Regular Distribution Date or a Special Distribution Date.

Initial Average Life Dates..... The 1994-A1 Trust will hold Notes whose principal is payable only on the final maturity date of such Notes. The initial average life dates for Certificates issued by the 1994-A2 Trust and 1994-A3 Trust are as follows:

<TABLE>
<CAPTION>

TRUST	DATE
<S>	<C>
1994-A2	
1994-A3	

</TABLE>

The average life dates for Certificates issued by the 1994-A2 Trust and 1994-A3 Trust will change after principal repayments of the related Notes commence.

Distributions..... The Notes held in the 1994-A1 Trust will mature on , 199 , at which time the payment of principal and all accrued interest thereon is scheduled to be received by the Pass Through Trustee and distributed to the Certificateholders of such Trust. Payments of interest on the Notes held in the 1994-A2 Trust and 1994-A3 Trust, respectively, are scheduled to be received by the Pass Through Trustee on January 2 and July 2 of each year, commencing in the case of the 1994-A2 Trust and in the case of the 1994-A3 Trust, and will be distributed by the Pass Through Trustee to the Certificateholders of such Trust on the Regular Distribution Dates

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referred to above except in certain circumstances. Payments of principal on the Notes held in the 1994-A2 Trust and 1994-A3 Trust, respectively, are scheduled to be received in specified amounts by the Pass Through Trustee of such Trust on January 2 or July 2, or both, in one or more years, commencing , in the case of the 1994-A2 Trust, and , in the case of the 1994-A3 Trust, and are to be distributed to the Certificateholders of such Trust on the corresponding Regular Distribution Date. Payments of principal, Make-Whole Premium (as defined below), if any, and interest resulting from the early redemption or purchase, if any, of any of the Notes held in any Trust will be distributed on a Special Distribution Date after not less than 20 days' notice from the Pass Through Trustee to the Certificateholders of such Trust. For a discussion of distributions upon an Event of Default, see "Description of the Certificates -- Events of Default and Certain Rights Upon an Event of Default" in the Prospectus.

Special Distribution Upon Unavailability of Property.....

To the extent that any proceeds from the sale of Certificates have not been used by the Pass Through Trustee by June 2, 1994 to purchase the Notes that are contemplated to be held in the related Trust, such proceeds shall be distributed on July 2, 1994 or at an earlier Special Distribution Date to the Certificateholders on a pro rata basis, together with accrued interest thereon, but without premium. See "Description of the Certificates -- Payments and Distributions"

in this Prospectus Supplement.

Method of Distribution..... So long as the Certificates are registered in the name of Cede, as nominee of DTC, distributions by the Pass Through Trustee, including the final distribution of principal with respect to the Certificates of any Trust, will be made in same-day funds to DTC. See "Description of Certificates -- Book-Entry Registration -- Same-Day Settlement and Payment" in the Prospectus. DTC will in turn make distributions in same-day funds to those participants in DTC who are credited with ownership of the Certificates ("DTC Participants") in amounts proportionate to the amount of each such DTC Participant's respective holdings of beneficial interests in such Certificates. Corresponding payments by the DTC Participants to beneficial owners of the Certificates will be the responsibility of such DTC Participants and will be made in accordance with customary industry practices. See "Description of the Certificates -- Book-Entry Registration" in the Prospectus.

Interest..... The Notes to be held in each Trust will be purchased by such Trust at varying discounts from par, and during the period commencing on the closing of the public offering of the Certificates to _____, in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust will provide a return consisting of accretion of discount such that the yield to _____, in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust of each Note held by such Trust will equal the semi-annual bond equivalent rate corresponding to the interest rate per annum for the related Certificates. As used in this Prospectus Supplement, the principal amount of a Note refers to the accreted value of such Note during the period that

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such Note is accreting discount and thereafter the face amount thereof. From and after _____, in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, all of the Notes held in each such Trust will accrue interest payable in cash at the applicable rate per annum for the Certificates issued by such Trust. On January 2 and July 2 of each year, commencing _____ in the case of the 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, interest will be passed through to Certificateholders of each such Trust on each such date. The interest that accrues on the Notes held in the 1994-A1 Trust from and after _____, 199__ will be payable at the maturity of such Notes on _____, 199__.

Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. See "Description of the Certificates -- General" and "-- Payments and Distributions" in this Prospectus Supplement.

Principal..... The principal payment on the Notes held in the 1994-A1 Trust will be passed through to the Certificateholders of such Trust only on the final maturity date of such Notes, being _____, 199__. Scheduled principal payments on the Notes held in the 1994-A2 Trust and 1994-A3 Trust, respectively, will be passed through to the Certificateholders of such Trust on January 2 or July 2, or both, in certain

years, commencing in the case of the 1994-A2 Trust and in the case of the 1994-A3 Trust, in accordance with the principal repayment schedule set forth below under "Description of the Notes -- General." See "Description of the Certificates -- Payments and Distributions" in the Prospectus and this Prospectus Supplement.

- Notes: Redemption..... (a) The Notes issued with respect to each Property will be redeemed, in whole, upon the occurrence of certain events of casualty or condemnation with respect to such Property that prevent the Company from using such Property in the conduct of its business and the election by the Company to terminate the related Lease at a redemption price equal to the unpaid principal amount of the Notes to be redeemed plus accrued but unpaid interest thereon (the "Redemption Price"), but without premium.
- (b) The Notes, with respect to each Property or by Trust, may under certain circumstances be redeemed in whole at any time at a price equal to the Redemption Price plus, if such redemption is made prior to the respective dates set forth below, a Make-Whole Premium, if any.

<TABLE>
<CAPTION>

TRUST	DATE
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<S>	<C>
1994-A2	
1994-A3	

</TABLE>

See "Description of the Notes -- Redemption" in this Prospectus Supplement for a description of the manner of computing the Make-Whole Premium.

- (c) If an event of default under an Indenture (an "Indenture Default") shall have occurred and be continuing and the Loan Trustee has

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given notice of its intent to accelerate the Notes issued under such Indenture or to exercise other substantial remedies, the Owner Trustee may elect to purchase all of such Notes at a price equal to the Redemption Price plus any other amounts then due and payable with respect to such Notes, but without premium. See "Description of the Notes -- Redemption" in this Prospectus Supplement.

- Notes: Security..... The Notes with respect to each Property will be secured by a mortgage of the Owner Trustee's interest in such Property and an assignment to the Loan Trustee of certain of the Owner Trustee's rights under the Lease with respect to such Property, including the right to receive payments of rent and, with certain exceptions, other amounts payable thereunder.

The Notes are not cross-collateralized and, consequently, the Notes issued in respect of any one Property are not secured by any other Property or the Leases related thereto. There are, however, cross default provisions in the Leases, and, consequently, an event or condition that results in a default under any particular Lease and continues beyond applicable notice and grace period requirements (a "Lease Event of Default") will constitute a Lease Event of Default under each other Lease, and consequently, an Indenture Default under each other Indenture.

Although the Notes are not obligations of, or guaranteed by, the Company, the amounts unconditionally payable by the Company under the Lease related to each Property will be sufficient to pay in full when due all payments required to be made on the Notes related to such Property. See "Description of the Notes -- Security" in the Prospectus and "Description of the Notes -- Indenture Defaults; Notice and Waiver" in this Prospectus Supplement.

Additional Notes..... Under certain circumstances, additional notes ("Additional Notes") may be issued to refinance all or a portion of the outstanding Notes related to any Property or to finance the cost of certain modifications to such Property. Such Additional Notes will be equally and ratably secured with all outstanding Notes related to such Property. No holder of a Certificate, as such, will have any right to, or interest in, any Additional Note. See "Description of the Notes -- Additional Notes" and "Description of the Notes -- The Leases -- Modifications" in this Prospectus Supplement.

Use of Proceeds..... The proceeds from the sale of the Certificates will be used to purchase the Notes issued by the Owner Trustee in connection with the financing or refinancing of not more than 82% of the cost to the Owner Trustee of its interest in the Properties. After the application of the proceeds from this offering, the Notes will represent in the aggregate the entire debt portion of the leveraged lease transactions relating to the Properties. The net proceeds to the Company from the sale of the Properties will be used by the Company to repay certain indebtedness incurred in connection with the construction of the Properties, to finance real estate and other capital investments in the Company's continuing expansion and for working capital needs. See "Use of Proceeds" in this Prospectus Supplement.

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Pass Through Trustee..... Wilmington Trust Company will act as Pass Through Trustee and as paying agent and registrar for the Certificates of each Trust. Wilmington Trust Company will also act as Loan Trustee for each series of Notes.

Federal Income Tax
Consequences..... Each Trust should be classified as a grantor trust for federal income tax purposes and therefore each owner of a beneficial interest in a Certificate (a "Certificate Owner") should be treated as the owner of a pro rata undivided interest in each of the Notes and any other property held by such Trust and generally should report on its federal income tax return its pro rata share of income from such Notes and other property held by such Trust in accordance with such Certificate Owner's method of accounting. The Notes will be issued with original issue discount, which Certificate Owners may be required to include in income in advance of the cash attributable to such income. See "Certain Federal Income Tax Consequences" in the Prospectus and "Certain Additional Federal Income Tax Consequences" in this Prospectus Supplement.

ERISA Considerations..... The Certificates, with certain exceptions, are eligible for purchase by employee benefit plans. See "ERISA Considerations" in this Prospectus Supplement.

Rating..... It is a condition to the sale of the Certificates that they be rated Baa2 by Moody's Investors

THE COMPANY

Smith's Food & Drug Centers, Inc. is a leading regional supermarket and drug store chain operating 129 stores as of January 1, 1994 in Arizona, California, Idaho, Nevada, New Mexico, Texas, Utah and Wyoming.

The Company offers customers a broad product selection combined with quality customer service in large, modern, attractive food and drug centers with ample parking. Customers are able to fill a substantial portion of their daily and weekly shopping needs at one convenient location. In addition, the Company promotes its reputation as a low price competitor in its market areas through a policy of everyday low pricing.

The Company strives to provide superior quality, selection and service at competitive prices in attractive facilities. The Company refines its merchandising strategy on an ongoing basis in response to changing demographics, lifestyles and product preferences. For example, the Company recently introduced "Big Deal" sections to supplement its everyday low price policy. A section of each store is dedicated to carrying "warehouse pack" sized items which are offered to shoppers at warehouse club prices.

The Company's stores offer a complete line of supermarket, nonfood and drug products with an average store size of 66,000 square feet. The Company's food and drug centers currently being opened range in size from approximately 45,000 to 82,000 square feet per store, and future stores are expected to range in size from 54,000 to 66,000 square feet per store, depending on site constraints and the number and size of competing stores in relation to the population of the market area being served. In order to respond to changing consumer needs, the Company continually refines its store configurations and lay-outs. These large centers, featuring brightly lit and spacious aisles, offer a wide selection of nationally advertised food and nonfood products as well as quality private label items. In addition, the Company's combination stores have a variety of specialty departments, including some or all of the following: a full-line pharmacy and related over-the-counter drug items, delicatessens, hot prepared food sections, in-store bakeries, video rentals, floral shops, one-hour photo processing, full-service banking and frozen yogurt shops.

The Company's stores are located in eight western states: 24 in Arizona; 26 in California; 5 in Idaho; 16 in Nevada; 15 in New Mexico; 4 in Texas; 34 in Utah; and 5 in Wyoming. The states are grouped into two regions, which are further divided into 10 geographic districts. The regions and districts are staffed with operational managers who are given as much autonomy as possible while retaining the advantages of central control and economies of scale over accounting, data processing, real estate and legal functions. This operational autonomy enables operating management to react quickly to local market circumstances and gain competitive advantages as local conditions change.

The Company's primary focus in existing markets has been on increasing sales volume through offering customers low prices and quality customer service combined with specifically designed marketing programs. The Company also has focused on increasing sales volume by opening new stores in existing and adjacent markets. During 1993, the Company opened eight new combination stores in Southern California and one each in New Mexico, Texas and Utah. The Company has in progress an expansion program which calls for a total of up to 60 stores in Southern California (San Diego to Fresno) prior to mid-1997, which will be supported by the Company's recently opened distribution center in Riverside, California. As of January 1, 1994, 26 California stores were open and operating. The Company plans to open 10 to 12 new stores at locations primarily in Southern California during 1994, three of which were opened during the first two months of 1994.

The Company competes with other large regional and national food and drug store chains, local food and drug stores, specialty food stores, warehouse/club stores, convenience stores and, to a lesser extent, restaurants and fast food chains. Principal competitive factors include store location, price, service, convenience, cleanliness, product quality and variety. Because the food and drug store business is characterized by narrow profit margins, the Company's earnings depend primarily on high sales volume and operating efficiency.

The Company believes its stores are among the most modern in the supermarket industry today. Approximately 70% of the Company's current square footage has been newly constructed or remodelled in the last five years. By continually evaluating each store's physical condition and appearance, the Company ensures that its stores are modern, attractive and in good physical

The Company is an industry leader in the use of information systems and technology. Electronic scanning equipment in each of the Company's stores has simplified the check-out process and decreased the amount of time spent by customers at the check stand. Additionally, this equipment gathers useful information about movement of merchandise and volume of each product sold. This data is used to allocate product space, plan labor schedules, evaluate the profitability of individual products and plan merchandising programs. As a result, the Company is able to reduce labor costs, monitor the success of promotional programs, and effectively manage the level of inventory in each store. The Company's stores also have separate, in-store computer systems that are linked to the scanning equipment in the check-out stands and are networked into the mainframe computer system at the corporate office in Salt Lake City, Utah.

The Company operates approximately 4.2 million square feet of distribution and processing facilities. Distribution facilities in Salt Lake City and Layton, Utah, Tolleson, Arizona and Riverside, California supply grocery, meat, dairy, deli and frozen food items to the Company's stores. Each of these fully-integrated distribution centers contains a dry grocery warehouse, a perishable grocery warehouse and a dairy processing plant. The Company also operates a produce warehouse in Ontario, California. The Company's warehouse capabilities enable it to purchase large quantities of selected products, typically fast moving inventory items, on a forward purchase basis in order to secure lower prices or to take advantage of special buying opportunities.

The dairy plants located in Layton, Tolleson and Riverside process a variety of milk, milk products and fruit beverages. The processing facilities located in Layton also include an automated frozen dough plant that provides support to the Company's in-store bakeries, a cultured products facility that produces sour cream, yogurt, cottage cheese and chip dip products and a state-of-the-art ice cream processing plant that supplies all stores with the Company's private label ice cream.

The Company transports food and merchandise from its distribution centers through a Company-owned fleet of tractors and trailers which primarily serve nearby stores and through common carriers for stores located at greater distances. Approximately 80% of the merchandise sold in Company stores is handled through its distribution centers, with the balance delivered directly to the stores by outside vendors.

The Company was founded in 1948 and reincorporated under Delaware law in 1989. The principal executive offices are located at 1550 South Redwood Road, Salt Lake City, Utah 84104, and its telephone number is (801) 974-1400. The Company's Class B Common Stock is traded on the New York Stock Exchange under the symbol "SFD." As used herein, the "Company" refers to Smith's Food & Drug Centers, Inc. and its subsidiaries and predecessors, unless the context otherwise requires.

CAPITALIZATION

The following table summarizes the capitalization of the Company as of January 1, 1994. The table does not reflect any adjustments to such capitalization to give effect to the sale of the Certificates or the issuance of the Notes and does not reflect the lease of the Properties because neither the Certificates nor the Notes are direct obligations of the Company and the Leases are expected to be classified as operating, rather than capital, leases:

<TABLE>
<CAPTION>

	JANUARY 1, 1994

	(IN THOUSANDS)
<S>	<C>
Short-term debt, including current maturities.....	\$ 22,519
Long-term debt, less current maturities.....	704,014

Total Debt.....	726,533
Deferred income taxes.....	82,700
Redeemable Preferred Stock, less current maturities.....	5,423
Common Stockholders' equity:	
Convertible Class A Common Stock, par value \$.01 per share:	

Authorized 20,000,000 shares; issued and outstanding	
12,617,445 shares.....	126
Class B Common Stock, par value \$.01 per share:	
Authorized 100,000,000 shares; issued, including shares	
in treasury, 17,344,566 shares.....	173
Additional paid-in capital.....	285,482
Retained earnings.....	259,400

	545,181
Less cost of Common Stock in Treasury (95,718 shares).....	2,984

Total stockholders' equity.....	542,197

Total capitalization, including short-term debt....	\$ 1,356,853

</TABLE>

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SELECTED FINANCIAL AND OPERATING DATA

The following is a summary of certain selected consolidated financial information of the Company. This summary should be read in conjunction with the consolidated financial statements and related notes of the Company included in its Annual Report on Form 10-K for the year ended January 2, 1993 incorporated herein by reference. See "Incorporation of Certain Documents by Reference" in the Prospectus. The information presented below for and as of the end of each of the fiscal years in the four year period ended January 2, 1993 (except for the ratio of the earnings to fixed charges and selected operating data) has been derived from the Company's consolidated financial statements, which statements have been audited by Ernst & Young, independent public accountants, as indicated in their report incorporated by reference herein. The financial information for the year ended January 1, 1994 is unaudited but in the opinion of management includes all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the financial position and results of operations for such period.

<TABLE>
<CAPTION>

	YEAR ENDED(1)				
	JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991	DECEMBER 29, 1990	DECEMBER 30, 1989

	(unaudited)				
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA:					
Net sales.....	\$2,807,165	\$2,649,860	\$2,217,437	\$2,031,373	\$1,731,559
Cost of goods sold.....	2,175,061	2,042,800	1,723,848	1,589,055	1,354,743
	-----	-----	-----	-----	-----
Gross profit.....	632,104	607,060	493,589	442,318	376,816
Expenses:					
Operating, selling and administrative.....	430,258	419,664	344,363	323,792	277,986
Depreciation and amortization.....	77,099	63,216	45,510	38,217	31,009
Interest.....	44,627	36,130	30,319	25,595	26,290
	-----	-----	-----	-----	-----
	551,984	519,010	420,192	387,604	335,285
	-----	-----	-----	-----	-----
Income before income taxes.....	80,120	88,050	73,397	54,714	41,531
Income taxes.....	34,300	34,400	28,300	20,400	15,400
	-----	-----	-----	-----	-----
Net income.....	\$ 45,820	\$ 53,650	\$ 45,097	\$ 34,314	\$ 26,131
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Ratio of earnings to fixed charges(2).....	1.99x	2.51x	2.44x	2.36x	2.13x
BALANCE SHEET DATA:					
Property and equipment, net.....	\$1,158,629	\$1,077,638	\$ 861,350	\$ 637,312	\$ 511,345
Total assets.....	1,654,308	1,479,485	1,196,689	891,716	728,482
Long-term debt, less current maturities.....	704,014	592,311	375,632	326,190	257,208
Redeemable preferred stock, less current maturities.....	5,423	6,462	7,401	8,448	9,542
Common stockholders' equity.....	542,197	515,389	474,386	268,158	240,920
SELECT OPERATING DATA:					

Number of stores.....	129	119	109	95	98
Total store square footage.....	8,501,000	7,668,000	6,773,000	5,580,000	5,235,000
Number of employees.....	18,759	19,310	18,303	15,208	15,289

</TABLE>

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- (1) The Company's fiscal year ends on the Saturday nearest to December 31. Fiscal year operating results include 52 weeks for each year except fiscal year 1992, which includes 53 weeks.
 - (2) For purposes of computing the ratio of earnings to fixed charges, "earnings" consist of income before provision for income taxes and fixed charges (excluding interest capitalized). For purposes of computing the ratio of earnings to fixed charges, "fixed charges" consist of interest, amortized debt expense and the portion of operating lease rentals that are representative of the interest factor.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net sales increased 5.9% in 1993, 19.5% in 1992 and 9.2% in 1991 compared with the respective prior years. Since 1992 included 53 weeks compared to 52 weeks in 1993 and 1991, the increase in net sales would have been 8% in 1993 and 18% in 1992 after adjusting for the extra week. New stores increased net sales by 6.6% in 1993, 18.8% in 1992 and 8.1% in 1991. The fluctuation in sales increases from new stores resulted primarily from the timing of store openings within the respective years. Same store sales decreased 0.7% in 1993 and increased 0.7% in 1992 and 1.1% in 1991 compared with the respective prior years. The decrease in same store sales in 1993 was caused primarily by the effect on sales in Southern California of the continuing recession in this market, heavy price competition in Utah resulting from the Company's aggressive pricing program, and new stores opened by competitors. To the extent these conditions persist, the weakness in same store sales may continue. The increases in same store sales in 1992 and 1991 were generated as new stores opened in previous years continued to mature in their markets and as volume increased as a result of the Company's everyday low price policy.

The Company opened 11 stores during 1993, 12 stores during 1992 and 17 stores during 1991. Retail square footage increased to 8,501,000 square feet at the end of 1993 (129 stores) from 7,668,000 square feet at the end of 1992 (119 stores) and 6,773,000 square feet at the end of 1991 (109 stores). Due to market conditions and current recessionary pressures in its expansion area, the Company is moderating its expansion plans. In 1994 and 1995, the Company anticipates opening 10 to 12 stores each year with continuing emphasis in Southern California. New stores opened by the Company in recent years have averaged approximately 75,000 square feet. Stores expected to be opened during 1994 range from 45,000 to 82,000 square feet. Future stores primarily will range from 54,000 to 66,000 square feet, although a few larger stores will be opened where appropriate.

Gross margins during 1993, 1992 and 1991 were 22.5%, 22.9% and 22.3%, respectively. The decrease in 1993 was caused primarily by the Company's aggressive Utah pricing program, which commenced in July 1993. To reinforce the Company's everyday low price program, prices in Utah stores were lowered on more than 10,000 grocery, meat and produce items. Management anticipates that this new pricing program will enhance long term earnings potential. However, in the near term, both gross margins and net income are expected to be under pressure as the Company continues to build sales volume. The improvements in gross margins in 1992 and 1991 were due to the further maturing of new and existing store marketing areas, a shift in product mix to private label and other higher margin products in the Company's specialty departments and continuing improvements in backstage efficiencies.

Gross margins also have been and are expected to be affected by the Company's expansion program. The stores in Southern California tend to operate at higher gross margins to offset higher real estate, operating and labor costs. Additionally, the new 1,000,000 square foot distribution center in Riverside, California, including a dairy processing plant, was completed and began operations in late 1993. This new center is expected to increase gross margins in the Southern California region through backstage efficiencies and reduced shipping expenses. However, the Company anticipates that new stores recently opened and the planned new stores in Southern California will apply pressure on the Company's gross margins until such stores become established in their respective markets.

In 1992 the Company adopted the last-in, first-out (LIFO) cost method for valuing inventories. The adoption of LIFO did not have a material effect on the 1992 financial statements. The pretax LIFO charge was \$1.6 million in 1993. There were no LIFO charges or credits in 1992.

Operating, selling and administrative expenses as a percent of net sales were 15.3% in 1993, 15.8% in 1992 and 15.5% in 1991. The decrease in 1993, resulting primarily from the Company's aggressive program to reduce operating costs, was somewhat offset by the higher operating costs associated with continued expansion into Southern California. The increase in 1992 was caused mainly by the higher operating costs incurred by the stores in the Southern California market. The Company anticipates that the new and planned stores in

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Southern California will increase operating, selling and administrative expenses as a percent of net sales until anticipated economies of scale are realized.

Depreciation and amortization expenses increased 22.0% in 1993, 38.9% in 1992 and 19.1% in 1991 over the respective prior years due to the addition of new combination centers and distribution and processing facilities.

Interest expense increased 23.5% in 1993, 19.2% in 1992 and 18.5% in 1991 compared with the respective prior years as a result of net increases in the average long-term debt amounts for each period. However, the increase in 1991 was partially offset by a reduction of debt from the proceeds of the Company's public offering of Class B Common Stock in July 1991.

Income taxes as a percent of income before income taxes were 42.8% in 1993, 39.1% in 1992 and 38.6% in 1991. The Omnibus Budget Reconciliation Act of 1993 increased the Company's federal tax rate from 34% to 35%. As a result of the increased tax rate, net income for 1993 was reduced by \$2.75 million, or \$.09 per common share. This reduction consisted of \$0.80 million, or \$.03 per common share, for the rate increase on income earned in 1993 and \$1.95 million, or \$.06 per common share, for the increase in recorded deferred taxes. The effective tax rate, including state income taxes, for 1994 is expected to approximate 40.5%. The increase in 1992 was due primarily to the Company's increased presence in markets that have higher state tax rates.

As the Company opens new stores and enters new markets, pressure on net income is created by normal start-up costs associated with new store openings and by the Company aggressively pursuing its everyday low price policy in order to establish market share within each store's trading area and build sufficient volume to effect anticipated economies of scale. Management believes that net income in 1994 will come under pressure as the Company continues its expansion in Southern California. The Company operated 26 combination stores in Southern California at the end of 1993 and plans to open additional stores in that market. Net income may also be affected by the relatively higher real estate costs, operating and selling expenses (including pre-opening, start-up and advertising expenses) typically associated with stores in the Southern California market. However, these higher costs may be offset to some degree, depending upon competitive conditions, by the generally higher gross margins expected in that market. In addition, net income may continue to be affected by price competition in the Utah market as a result of the Company's aggressive pricing program.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased \$46.4 million during 1993 and \$1.1 million during 1992. The increase during 1993 primarily resulted from the receipt at the end of 1993 of \$152.7 million from the sale/leaseback transactions with respect to the seven Properties previously acquired from the Company by the Owner Trustee, which proceeds have been and will be applied as described under "Use of Proceeds" in this Prospectus Supplement. Working capital increased to \$160.4 million at January 1, 1994 from \$91.2 million at January 2, 1993, an increase of \$69.2 million. The Company's current ratio at the end of 1993 was 1.5:1 compared to 1.3:1 in 1992 and 1.1:1 in 1991. The working capital is supplemented by unused revolving credit lines, which aggregated \$60 million at January 1, 1994.

Cash provided by operating activities amounted to \$118.6 million and \$84.6 million for 1993 and 1992, respectively. Cash normally provided by operating activities in each of such years was partially offset by increases in inventory balances. The Company maintains levels of inventory necessary to support its high-volume, everyday low price merchandising strategy. Inventories increased \$36.5 million and \$51.0 million to \$377.9 million and \$341.4 million at the end of 1993 and 1992, respectively. These increases in inventories were caused mainly by warehouse and store expansion and forward buying.

Cash used in investing activities totaled \$164.4 million for 1993 and \$286.6 million for 1992. Additions to property and equipment totaled \$322.3 million in 1993 and \$288.0 million in 1992, reflecting the Company's ongoing expansion program. In 1993 the Company completed the sale and leaseback of certain recent additions to property totaling \$152.7 million. There were no sale/leaseback transactions in 1992. The Company anticipates investing approximately \$150 million during 1994 for the development and construction

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of new food and drug centers, remodeling of existing stores and replacing equipment. However, the actual timing and amount of capital expenditures will depend upon a number of factors.

Cash provided by financing activities totaled \$92.3 million for 1993 and \$203.1 million for 1992. The Company obtained \$262.0 million during 1993 and \$252.7 million during 1992 in additional unsecured long-term borrowings to finance additions to property and equipment. On November 18, 1993, the Company filed a shelf registration statement with the Securities and Exchange Commission (the "Commission") relating to the public offering of up to \$300 million aggregate principal amount of Pass Through Certificates, including the Certificates offered hereby. The shelf registration statement was declared effective in January 1994. Quarterly cash dividends have been paid on the Company's Class A and Class B Common Stock since 1989.

At January 1, 1994 and January 2, 1993, the Company had outstanding \$704.0 million and \$592.3 million, respectively, of long term debt, principally borrowed from insurance companies and other institutional lenders. Of these amounts, \$289.1 million and \$325.1 million were secured by real estate assets at the end of each respective year. The Company has not experienced difficulty in obtaining financing at satisfactory interest rates.

Management believes that the financial resources available to it, including proceeds from sale/leaseback transactions, amounts available under existing and future bank lines of credit, additional long term financings and internally generated funds, will be sufficient to meet planned capital expansion and working capital requirements for the foreseeable future, including debt and lease servicing requirements. The Company may, however, use additional sources of funds for such purposes, including the issuance of debt or equity securities and leasing rather than owning real estate and equipment.

INFLATION

In recent years, the impact of inflation on the Company's operating results has been moderate, reflecting generally lower rates of inflation in the economy. Management does not believe that the Company will be adversely affected by any significant future inflation because of the large number of Company-owned stores, which have no contingent or volume-related rental obligations. While inflation has not had, and the Company does not expect it to have, a material impact upon operating results, there is no assurance that the Company's business will not be affected by inflation in the future.

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DESCRIPTION OF THE PROPERTIES

The Properties consist of the Company's distribution center located in Riverside, California and eight of the Company's combination stores located in Southern California. The stores were newly constructed by the Company in furtherance of its California expansion program, and placed into service during the period from October, 1992 to January, 1994. The Riverside distribution center, which was first placed into service in September, 1993 and completed in December, 1993, will support the Company's California stores.

The Company has conveyed or will convey to the Owner Trustee fee simple ownership of all buildings, facilities, personal property, fixtures, improvements or other structures located on or in or attached to the parcel of land included in each Property (the "Improvements") and an estate for years in each such parcel of land (the "Estate for Years"), which will expire concurrently with the initial expiration date of the related Lease. The Company also has conveyed or will convey fee simple ownership of the remainder interest in each such parcel of land to an unaffiliated third party (the "Remainderman"). Concurrently with the conveyance of the Improvements and Estate for Years with respect to each Property to the Owner Trustee, the Company leased or will lease the Owner Trustee's interest in such Property pursuant to the related Lease.

The following table sets forth certain information with respect to the

seven Properties with respect to which the related Improvements and Estates for Years were purchased by the Owner Trustee and leased to the Company on December 29, 1993 and the two Properties with respect to which the related Improvements and Estates for Years are expected to be purchased by the Owner Trustee and leased to the Company concurrently with the closing of the public offering of the Certificates:

PROPERTIES TO BE REFINANCED

<TABLE>
<CAPTION>

LOCATION	USE	YEAR PLACED INTO SERVICE	FACILITY SQUARE FEET	FAIR MARKET VALUE OF OWNER TRUSTEE'S INTEREST IN PROPERTY	PERCENTAGE OF INITIAL COST TO OWNER TRUSTEE FINANCED
Riverside, CA.....	Riverside Distribution Center	1993	1,046,479	\$94,002,880	%
Bakersfield, CA.....	Retail -- Combination Store	1993	80,880	8,662,309	
Bakersfield, CA.....	Retail -- Combination Store	1993	80,880	7,207,561	
La Habra, CA.....	Retail -- Combination Store	1992	88,846	11,763,693	
Pomona, CA.....	Retail -- Combination Store	1993	87,005	10,766,085	
Glendora, CA.....	Retail -- Combination Store	1992	85,615	11,367,237	
Grover Beach, CA.....	Retail -- Combination Store	1993	80,880	8,415,530	

PROPERTIES TO BE FINANCED

<TABLE>
<CAPTION>

LOCATION	USE	YEAR PLACED INTO SERVICE	FACILITY SQUARE FEET	FAIR MARKET VALUE OF OWNER TRUSTEE'S INTEREST IN PROPERTY	PERCENTAGE OF INITIAL COST TO OWNER TRUSTEE FINANCED
Hemet, CA.....	Retail -- Combination Store	1992	88,601	\$ 8,640,138	%
Palmdale, CA.....	Retail -- Combination Store	1994	80,880	7,906,256	

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USE OF PROCEEDS

The Certificates are being issued in connection with the financing or refinancing, as the case may be, of the debt portion of nine separate leveraged lease transactions entered or to be entered into by the Company, as lessee, with respect to the Properties. The proceeds from the sale of the Certificates will be used by the Pass Through Trustee on behalf of the Trusts to purchase at varying discounts from par \$ aggregate principal amount of Notes issued by the Owner Trustee as trustee of a trust for the benefit of State Street Bank and Trust Company of Connecticut, National Association (the "Connecticut Trustee"), which will in turn act as trustee of a trust for the benefit of the Owner Participant. The Owner Trustee, in turn, will use the proceeds to finance the cost to the Owner Trustee of the Improvements and Estate for Years with respect to two Properties to be acquired by it concurrently with the closing of the public offering of the Certificates and to repay \$123.2 million of debt, and interest thereon, incurred by it to purchase its interests in the seven Properties acquired by it on December 29, 1993. Such debt is evidenced by seven promissory notes, matures July 2, 2018 and bears interest at a variable rate that during the period from December 29, 1993 through March 15, 1994 averaged 4.0% per annum.

The Notes will be issued under the nine separate Indentures between the Loan Trustee and the Owner Trustee. The Owner Participant provided or will provide from its own funds at least 18% of the initial acquisition cost of its interest in each Property. The Owner Participant, however, will not be personally liable for any amount payable under any Indenture or the Notes issued thereunder. Simultaneously with the acquisition of its interest in each Property, the Owner Trustee leased or will lease such interest to the Company pursuant to a separate lease agreement (a "Lease").

The net proceeds to the Company from the sale of the Properties are expected to be approximately \$165.8 million after payment of transaction expenses. Of such net proceeds, approximately \$50 million has been used to discharge the full amount of indebtedness incurred by the Company in connection

with the construction of the Properties, which immediately prior to such discharge bore interest at rates ranging from 3.19% to 3.50% per annum. The remainder of such net proceeds will be used to finance real estate and other capital investments in the Company's continuing expansion program and for other working capital purposes.

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DIAGRAM OF PAYMENTS

The diagram below illustrates certain aspects of the payment flows among the Company, the Owner Trustee, the Loan Trustee, the Pass Through Trustee, the Owner Participant and the Certificateholders with respect to the three Trusts and the nine related Properties.

The Company has sold or will sell the Improvements on and the Estate for Years in each of the Properties to the Owner Trustee. See "Description of the Properties" in this Prospectus Supplement. Simultaneously with such sale, the Owner Trustee has leased or will lease its interest in such Property to the Company under a separate Lease. Rent is payable under each Lease by the Company to the Owner Trustee, as lessor. However, as a result of the assignment of all of the Leases to the Loan Trustee, the Company will make rental payments directly to the Loan Trustee. From these rental payments such Loan Trustee will, on behalf of the Owner Trustee, first make payments to the Pass Through Trustee for each of the Trusts on the Notes held in such Trust and pay the balance to such Owner Trustee for the benefit of the Owner Participant. The Pass Through Trustee for each of the Trusts will distribute payments received in respect of the Notes held in such Trust to the related Certificateholders.

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* Each Property will be subject to a separate Lease and a separate Indenture.

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DESCRIPTION OF THE CERTIFICATES

The Certificates offered hereby will be issued pursuant to three separate Trust Supplements to the Basic Agreement. The Prospectus covers the issuance of up to \$300,000,000 aggregate principal amount of pass through certificates (or such greater amount, if issued at less than par, as shall result in aggregate proceeds of \$300,000,000) pursuant to the Basic Agreement in accordance with a Registration Statement that was declared effective by the Commission on January 26, 1994. To date, no pass through certificates have been issued pursuant to the Basic Agreement. The following summary of the particular terms of the Certificates offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provision of the Certificates set forth in the Prospectus under the heading "Description of the Certificates." The statements under this caption are a summary and do not purport to be complete. The summary is qualified in its entirety by reference to all of the provisions of the Basic Agreement, a form of which has been filed as an exhibit to the Registration Statement of which this Prospectus Supplement is a part, and to all of the provisions of the Trust Supplements which, together with the forms of the related Indentures, Leases, Trust Agreement and the Participation Agreement among the Company, the Owner Trustee, the Connecticut Trustee, the Owner Participant, the Owner Participant Parent, the Remainderman, the Pass Through Trustee, the Loan Trustee, the Remainderman Participant, the Remainderman Trustee and the Initial Noteholder (as amended, the "Participation Agreement"), will be filed as exhibits to a Current Report on Form 8-K filed by the Company with the Commission. Except as otherwise indicated, the following summary relates to each of the Trusts and the Certificates issued by each Trust. The terms and conditions governing each of the Trusts will be substantially the same, except that the principal amount, the interest rate, scheduled repayments of principal and maturity date applicable to the Notes held by each Trust and the final distribution date applicable to each Trust will differ. Citations to the relevant sections of the Basic Agreement appear below in parentheses unless otherwise indicated.

GENERAL

The Certificates of each Trust will be issued in fully registered form only. Each Certificate will represent a fractional undivided interest in the Trust created by the Trust Supplement pursuant to which such Certificate was issued. The property of each Trust (the "Trust Property") will include the Notes held in such Trust, all monies at any time paid thereon and all monies due and to become due thereunder and funds from time to time deposited with the Pass Through Trustee in accounts relating to such Trust. Each Certificate will represent a pro rata share of the Notes held in the related Trust and will be

issued only in integral multiples of \$1,000. (Sections 2.01 and 3.01) The Certificates will be issued pursuant to a book-entry system and will be registered in the name of Cede as the nominee of DTC. No Certificate Owner will be entitled to receive a certificate representing such person's interest in any of the Certificates (a "Definitive Certificate"), except as set forth in the Prospectus under "Description of the Certificates -- Book Entry Registration -- Definitive Certificates." Unless and until Definitive Certificates are issued under the limited circumstances described in the Prospectus, all references to actions by Certificateholders shall refer to actions taken by DTC upon instructions from DTC Participants (as defined in the Prospectus), and all references herein to distributions, notices, reports and statements to Certificateholders shall refer, as the case may be, to distributions, notices, reports and statements to DTC or Cede, as the registered holder of the Certificates, or to DTC Participants for distribution to Certificate Owners in accordance with DTC procedures. See "Description of the Certificates -- Book-Entry Registration -- Definitive Certificates" and "-- Same-Day Settlement and Payment" in the Prospectus.

Interest will be passed through to Certificateholders of each Trust at the applicable rate per annum set forth on the cover page of this Prospectus Supplement, which is calculated on the basis of a 360-day year of twelve 30-day months.

Each Certificate will represent a fractional undivided interest in the Trust created by the Trust Supplement pursuant to which such Certificate was issued and all payments and distributions with respect thereto shall be made only from the related Trust Property. (Section 3.08) The Certificates do not represent an interest in or obligation of the Company, the Pass Through Trustee, the Owner Trustee in its individual capacity, the Connecticut Trustee, the Owner Participant, the Owner Participant Parent or any affiliate of any thereof.

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PAYMENTS AND DISTRIBUTIONS

Payments of principal, Make-Whole Premium, if any, and interest with respect to the Notes held in each Trust will be distributed by the Pass Through Trustee to Certificateholders of such Trust on the date receipt of such payment is confirmed, except in certain cases when some or all of such Notes are in default. See "Description of Certificates -- Events of Default and Certain Rights Upon an Event of Default" in the Prospectus. The Notes to be held in each Trust will be purchased by such Trust at varying discounts from par, and during the period commencing on the closing of the public offering of the Certificates to , in the case of the 1994-A1 Trust and 1994-A2 Trust and in the case of the 1994-A3 Trust will provide a return consisting of accretion of discount such that the yield to in the case of the 1994-A1 Trust and 1994-A2 Trust and , in the case of the 1994-A3 Trust of each Note held by such Trust will equal the semi-annual bond equivalent rate corresponding to the interest rate per annum for the Certificates issued by such Trust. From and after , in the case of the 1994-A1 Trust and 1994-A2 Trust and , in the case of the 1994-A3 Trust, all of the Notes held in each such Trust will accrue interest payable in cash at the applicable rate per annum for the Certificates issued by such Trust. On January 2 and July 2 of each year, commencing , in the case of the 1994-A1 Trust and 1994-A2 Trust and , in the case of the 1994-A3 Trust, interest will be passed through to Certificateholders of each such Trust on each such date. The payment of principal and accrued interest on the Notes held in the 1994-A1 Trust will be payable only on the final maturity date relating to such Notes, being , . Payments of principal on the Notes held in the 1994-A2 Trust and 1994-A3 Trust are scheduled to be received by the Pass Through Trustee on January 2 or July 2, or both, in certain years depending upon the terms of the Notes held in such Trust, commencing , in the case of the 1994-A2 Trust and , in the case of the 1994-A3 Trust (such scheduled payments of interest and principal on the Notes are herein referred to as "Scheduled Payments," and January 2 or July 2 of each year are herein referred to as "Regular Distribution Dates"). See "Description of the Notes -- General" in this Prospectus Supplement. The Pass Through Trustee of each Trust will distribute on each Regular Distribution Date to the Certificateholders of such Trust all Scheduled Payments, the receipt of which is confirmed by the Pass Through Trustee on such Regular Distribution Date. Each Certificateholder of each Trust will be entitled to receive a pro rata share of any distribution in respect of Scheduled Payments of principal and interest made on the Notes held in such Trust. Each such distribution of Scheduled Payments will be made by the Pass Through Trustee to the Certificateholders of the applicable Trust of record on the Record Date applicable to such Scheduled Payment subject to certain exceptions. (Sections 4.01 and 4.02) If a Scheduled Payment is not received by the Pass Through Trustee on a Regular Distribution Date but is received within five days thereafter, it will be distributed to such holders of record on the date received. If it is received after such five-day period, it will be treated

as a Special Payment (as defined below) and distributed as described below.

Payments of principal, Make-Whole Premium, if any, and interest received by the Pass Through Trustee on account of the early redemption, if any, of the Notes relating to one or more Properties held in a Trust, and payments received by the Pass Through Trustee following a default in respect of Notes held in a Trust relating to one or more Properties (including payments received by the Pass Through Trustee on account of the purchase by the Owner Trustee of such Notes or payments received on account of the sale of such Notes by the Pass Through Trustee) ("Special Payments") will be distributed on, in the case of an early redemption or a purchase, the date of such early redemption or purchase (which shall be a Business Day), and otherwise, on the Business Day specified for distribution of such Special Payment pursuant to a notice delivered by the Pass Through Trustee as soon as practicable after the Pass Through Trustee has received funds for such Special Payment (each, a "Special Distribution Date"). The Pass Through Trustee will mail notice to the Certificateholders of the applicable Trust not less than 20 days prior to the Special Distribution Date on which any Special Payment is scheduled to be distributed by the Pass Through Trustee stating such anticipated Special Distribution Date. (Section 4.02) Each distribution of a Special Payment, other than a final distribution, on a Special Distribution Date for any Trust will be made by the Pass Through Trustee to the Certificateholders of record of such Trust on the Record Date applicable to such Special Payment. See "Description of the Notes -- Redemption" in this Prospectus Supplement and "Description of the Certificates -- Events of Default and Certain Rights Upon an Event of Default" in the Prospectus.

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Each Trust Supplement shall provide that to the extent that all of the proceeds from the sale of any Certificates are not used on the delivery date of such Certificates to purchase the Notes contemplated to be held in the related Trust, the Pass Through Trustee may use such funds for the purchase of such Notes at any time on or prior to June 2, 1994 and pending such purchase the Pass Through Trustee will hold the proceeds from the sale of such Certificates in an escrow account. Such proceeds will be invested, at the direction and risk of, and for the account of, the Company, in certain specified investments, which may include: (i) obligations of, or guaranteed by, the United States government or agencies thereof, (ii) open market commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof rated at least P-1 or its equivalent by Moody's Investors Service, Inc. or at least A-1 or its equivalent by Standard & Poor's Corporation, (iii) certificates of deposit issued by commercial banks organized under the laws of the United States or of any political subdivision thereof having a combined capital and surplus in excess of \$500,000,000 which banks or their holding companies have a rating of A or its equivalent by Moody's Investors Service, Inc. or Standard & Poor's Corporation; provided, however, that the aggregate amount at any one time so invested in certificates of deposit issued by any one bank shall not exceed 5% of such bank's capital and surplus, (iv) U.S. dollar denominated offshore certificates of deposit issued by, or offshore time deposits with, any commercial bank described in (iii) or any subsidiary thereof and (v) repurchase agreements with any financial institution with any of the obligations described in (i) through (iv) as collateral, which institution or its holding company has a combined capital and surplus of at least \$500,000,000 and a rating of A or its equivalent by Moody's Investors Service, Inc. or Standard & Poor's Corporation; provided that if all of the above investments are unavailable, the entire amounts to be invested may be used to purchase federal funds from an entity described in clause (iii) above; and provided further that no investment shall be eligible as a "specified investment" unless the final maturity date or date of return of such investment is on or before July 1, 1994. Earnings on such investments in the escrow account for each Trust will be paid to the Company periodically, and the Company will be responsible for any losses. To the extent that any amount of the proceeds held in the escrow account referred to above is not used to purchase Notes on or prior to June 2, 1994, an amount equal to the unused proceeds will be distributed by the Pass Through Trustee to the holders of record of the Certificates on a pro rata basis upon not less than 20 days' prior notice to them as a Special Payment on a Special Distribution Date not later than July 2, 1994, together with interest thereon at a rate equal to the rate applicable to such Certificates, but without premium, and the Company will pay to the Pass Through Trustee on such date an amount equal to such interest.

The Basic Agreement requires that the Pass Through Trustee establish and maintain, for each Trust and for the benefit of the Certificateholders of such Trust, one or more accounts (the "Certificate Account") for the deposit of payments representing Scheduled Payments on the Notes held in such Trust. The Basic Agreement also requires that the Pass Through Trustee establish and maintain, for each Trust and for the benefit of the Certificateholders of such Trust, one or more accounts (the "Special Payments Account") for the deposit of payments representing Special Payments, which account shall be non-interest bearing except in certain circumstances where the Pass Through Trustee may

invest amounts in such account in certain permitted investments. Pursuant to the terms of the Basic Agreement, the Pass Through Trustee is required to deposit any Scheduled Payments relating to the applicable Trust received by it in the Certificate Account of such Trust and to deposit any Special Payments so received by it in the Special Payments Account of such Trust. (Section 4.01) All amounts so deposited will be distributed by the Pass Through Trustee on a Regular Distribution Date or a Special Distribution Date as appropriate. (Section 4.02)

At such time, if any, as the Certificates are issued in the form of Definitive Certificates and not to Cede, as nominee for DTC, distributions by the Pass Through Trustee from the Certificate Account or the Special Payments Account of each Trust on a Regular Distribution Date or a Special Distribution Date will be made by check mailed to each Certificateholder of record of such Trust on the applicable record date at its address appearing on the register maintained with respect to such Trust. (Section 4.02) The final distribution for each Trust, however, will be made only upon presentation and surrender of the Certificates for such Trust at the office or agency of the Pass Through Trustee specified in the notice given by the Pass Through Trustee of such final distribution. The Pass Through Trustee will mail such notice of the final distribution to the Certificateholders of such Trust, specifying the date set for such final distribution and the amount of such distribution. (Section 11.01) See "Description of the Certificates -- Termination of the Trusts" in the Prospectus.

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If any Regular Distribution Date or Special Distribution Date is not a Business Day, distributions scheduled to be made on such Regular Distribution Date or Special Distribution Date will be made on the next succeeding Business Day without additional interest. (Section 12.10)

POOL FACTORS

Unless there has been an early redemption, purchase or a default in the payment of principal or interest in respect of Notes held in a Trust, as described in "Description of the Notes -- Redemption" in this Prospectus Supplement and "Description of Certificates -- Events of Default and Certain Rights upon an Event of Default" in the Prospectus, the Pool Factor (as defined below) (i) with respect to the 1994-A1 Trust, will not change prior to the distribution date applicable to such Trust when the single payment of principal on the Notes held in such Trust is distributed and (ii) with respect to each other Trust, will decline in proportion to the scheduled repayments on the Notes held in such Trust as described below in "Description of the Notes -- General." In the event of such redemption, purchase or default, the Pool Factor and the Pool Balance (as defined below) of each Trust so affected will be recomputed after giving effect thereto and notice thereof will be mailed to the Certificateholders of such Trust. Each Trust will have a separate Pool Factor.

The "Pool Balance" for each Trust indicates, as of any date, the aggregate unpaid principal amount (including any accretion of discount) of the Notes held in such Trust on such date plus any amounts in respect of principal on such Notes held by the Pass Through Trustee and not yet distributed. The Pool Balance for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Notes held in such Trust and distribution thereof to be made on that date.

The "Pool Factor" for each Trust as of any Regular Distribution Date or Special Distribution Date is the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance by (ii) the aggregate principal amount of the Notes held in such Trust. The Pool Factor for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Notes held in such Trust and distribution thereof to be made on that date. Assuming that no early redemption, purchase or default in respect of any Notes shall have occurred, the Pool Factor for each of the 1994-A1 Trust and 1994-A2 Trust will be 1.0000000 and for the 1994-A3 Trust will be 1.0000000 ; thereafter, the Pool Factor for each Trust will decline as described above to reflect reductions in the Pool Balance of such Trust. The amount of a Certificateholder's pro rata share of the Pool Balance of a Trust can be determined by multiplying the original denomination of the holders Certificates of such Trust by the Pool Factor for such Trust as of the applicable Regular Distribution Date or Special Distribution Date. The Pool Factor and the Pool Balance for each Trust will be mailed to Certificateholders of such Trust on each Regular Distribution Date and Special Distribution Date.

As of the date of sale by the Pass Through Trustee of the Certificates and assuming that no early redemption or default in respect of any Notes shall

occur, the Scheduled Payments of principal on the Notes held in the 1994-A2 Trust and 1994-A3 Trust, and the resulting Pool Factors for such Trusts after taking into account each Scheduled Payment, are set forth below:

<TABLE>
<CAPTION>

	1994-A2 TRUST NOTES		1994-A3 TRUST NOTES	
REGULAR DISTRIBUTION DATE	SCHEDULED PRINCIPAL REPAYMENTS	1994-A2 TRUST POOL FACTOR	SCHEDULED PRINCIPAL REPAYMENTS	1994-A3 TRUST POOL FACTOR
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

</TABLE>

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DESCRIPTION OF THE NOTES

The following summarizes the particular terms and provisions of the Notes and supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Notes set forth in the Prospectus under the heading "Description of the Notes." The statements under this caption are summaries and do not purport to be complete. The summary is qualified in its entirety by reference to all of the provisions of the Notes, the Trust Indenture, the Supplemental Indentures, the Leases and the Participation Agreement, the forms of which will be filed as exhibits to a Current Report on Form 8-K filed by the Company with the Commission.

GENERAL

The Notes with respect to each Property will be issued in up to three series. The Notes are to be issued under a Trust Indenture and Security Agreement (the "Trust Indenture") between State Street Bank and Trust Company of California, National Association, as Owner Trustee, and Wilmington Trust Company, as Loan Trustee, as supplemented by, with respect to each Property, a separate indenture supplement thereto (each, a "Supplemental Indenture," and together with the Trust Indenture, with respect to each Property, an "Indenture") among the Owner Trustee, the Loan Trustee and Stewart Title of California, as trustee under the deed of trust included in each Supplemental Indenture.

The Owner Trustee has leased or will lease its interest in each Property to the Company pursuant to a separate Lease between the Owner Trustee and the Company. As security for the Notes related to each Property, the Owner Trustee has assigned or will assign certain of its rights under the related Lease, including the right to receive rent thereunder, to the Loan Trustee, and the Owner Trustee has granted a mortgage encumbering its interests in such Property to Stewart Title of California, as trustee for the benefit of the Loan Trustee. The Notes are not cross collateralized and, consequently, the Notes issued in respect of any one Property are not secured by any other Property or the Leases related thereto. There are, however, cross default provisions in the Leases and, consequently, a Lease Event of Default under any particular Lease will constitute a Lease Event of Default under each other Lease and, consequently, an Indenture Default under each other Indenture. Pursuant to each Lease, the Company is obligated to make or cause to be made rental and other payments to the Loan Trustee on behalf of the Owner Trustee in amounts that will be at least sufficient to pay when due all payments required to be made on the related Notes. The Notes are not, however, obligations of, or guaranteed by the Company. The Company's rental obligations under each Lease are general obligations of the Company.

The Notes to be held in each Trust will be purchased by such Trust at varying discounts from par, and during the period commencing on the closing of the public offering of the Certificates to _____ in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust will provide a return consisting of accretion of discount such that the yield to _____ in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust of each Note held by each such Trust will equal the semi-annual bond equivalent rate corresponding to the interest rate per annum for the related Certificates. From and after _____ in the case of the 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, all of the Notes held in each such Trust will accrue interest payable in cash at the applicable rate per annum for the Certificates issued by such Trust. On January 2 and July 2 of each year, commencing _____ in the case of the 1994-A2 Trust and 1994-A3 Trust, interest will be passed through to Certificateholders of each such Trust on each such date. The interest that accrues on the Notes held in the 1994-A1 Trust from and after _____, 199 _____ will be payable at the maturity of such Notes on _____, 199 _____. Such interest will be computed on the basis of a 360-day

The aggregate par value of the Notes to be issued with respect to each Property, as such Notes are to be held in each of the Trusts, is as follows:

<TABLE>
<CAPTION>

PROPERTY	1994-A1 TRUST % NOTES	1994-A2 TRUST % NOTES	1994-A3 TRUST % NOTES	NOTES TOTAL
<S>	<C>	<C>	<C>	<C>
Riverside Distribution Center.....				
Bakersfield Store.....				
Bakersfield Store.....				
La Habra Store.....				
Pomona Store.....				
Glendora Store.....				
Grover Beach Store.....				
Hemet Store.....				
Palmdale Store.....				
Total.....	\$	\$	\$	\$

</TABLE>

The principal of the A1 Notes will be paid in full at maturity on .
The Scheduled Payments of principal on the A2 Notes and A3 Notes are as follows:

<TABLE>
<CAPTION>

A2 NOTES		A3 NOTES	
<S>	<C>	<C>	<C>
PAYMENT DATES	\$	PAYMENT DATES	\$
Total.....	\$	Total.....	\$

</TABLE>

If any date scheduled for any payment of principal, premium, if any, or interest with respect to the Notes is not a Business Day, such payment will be made on the next succeeding Business Day without any additional interest.

REDEMPTION

The Notes, issued with respect to any Property or held in any Trust, are separately subject to redemption prior to maturity, without the consent of the Pass Through Trustee, in whole at any time at the option of the Owner Trustee in connection with a voluntary refunding. The Notes with respect to any Property are subject to redemption in whole after July 2, 1996 in connection with a voluntary termination by the Company of the related Lease if the Company determines in good faith that such Property shall have become obsolete or uneconomic for use or surplus to its needs and the Company has not elected, or has not satisfied the conditions, to cause the related Notes to be exchanged for its full recourse securities in accordance with the terms of the Participation Agreement and has not elected to exercise its Substitution Right with respect to such Property. See "Description of the Notes -- Exchange of Notes Under Certain Circumstances" and " -- The Leases -- Substitution Right" in this Prospectus Supplement. The price of each Note to be redeemed in

each such case shall be equal to the Redemption Price, plus, if such redemption is made prior to in the case of the A2 Notes and in the case of the A3 Notes (each such date a "Premium Termination Date"), a Make-Whole Premium, if any. Any such redemption of the Notes will be conditional upon the deposit of funds sufficient to pay the redemption price of such Notes prior to the date fixed for redemption. If such condition is not met and no redemption is to occur, the Loan Trustee shall, prior to the date fixed for redemption, give notice of such revocation to the holders of the Notes. (Trust Indenture, Article 6 and Section 13.1; Supplemental Indentures, Section 1.7; Leases, Section 14(a);

The "Make-Whole Premium," if any, with respect to any Note shall be determined as of the third Business Day prior to the applicable redemption date and shall equal the excess, if any, of (i) the sum of the present values of all remaining scheduled payments of principal and interest from the redemption date to maturity of such Note, discounted semi-annually on each interest payment date of such Note at a rate equal to the Treasury Rate (as defined below), based on a 360-day year of twelve 30-day months, over (ii) the aggregate unpaid principal amount (including any accretion of discount) of such Note plus accrued but unpaid interest thereon (but not any accrued interest in default) to the redemption date. The Make-Whole Premium, if any, on the Notes will be determined by an independent investment banking institution of national standing selected by the Company.

The "Treasury Rate" means, with respect to each Note to be redeemed, a per annum rate (expressed as a semi-annual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semi-annual yield to maturity of United States Treasury securities maturing on the Average Life Date (as defined below) of such Note, as determined by interpolation between the most recent weekly average yields to maturity for two series of United States Treasury securities, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Note, in each case as published in the most recent H.15(519) or, if a weekly average yield to maturity for United States Treasury securities maturing on the Average Life Date of such Note is reported in the most recent H.15(519), as published in the most recent H.15(519). "H.15(519)" means "Statistical Release H.15(519), Selected Interest Rates," or any successor publication, published by the Board of Governors of the Federal Reserve System. "The most recent H.15(519)" means the latest H.15(519) that is published prior to noon, New York time, on the third Business Day prior to the redemption date.

The "Average Life Date" for each Note to be redeemed shall be the date that follows the redemption date by a period equal to the Remaining Weighted Average Life at the redemption date of such Note. The "Remaining Weighted Average Life" of such Note, at the redemption date of such Note, shall be the number of days equal to the quotient obtained by dividing: (a) the sum of the products obtained by multiplying (i) the amount of each then remaining scheduled payment of principal, including the payment due on the maturity date of such Note, by (ii) the number of days from and including the redemption date to but excluding the scheduled payment date of each such scheduled payment of principal; by (b) the then unpaid principal amount of such Note.

In addition, the Notes issued with respect to each Property are separately subject to redemption or purchase prior to maturity, in whole, (i) at the option of the Owner Trustee, if an Indenture Default shall have occurred and be continuing and the Loan Trustee shall give notice of its intent to accelerate the related Notes or to exercise other substantial remedies available to it or (ii) upon the occurrence of (A) a casualty loss to the Improvements on such Property, the cost of repairing which would equal 40% or more of the fair market sales value of such Improvements in any one occurrence that, in the Company's reasonable discretion, renders such Property unsuitable for use in the Company's business, (B) a failure of title or partial condemnation of such Property that, in the Company's reasonable opinion, would significantly interfere with the value, use or remaining useful life of such Property, a condemnation either (x) for a period of time extending beyond the term of the related Lease or (y) for a period of time longer than 10 years that, in either such case, in the Company's reasonable opinion will interfere materially with the use or operation of such property or (C) a total condemnation of such Property (an "Event of Loss") and, in the case of an Event of Loss, the Company shall not have elected to exercise its Substitution Right with respect to such Property. Any such redemption or

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purchase by the Owner Trustee shall be on at least 25 days' prior written notice to each Noteholder. Any such redemption or purchase shall be at the Redemption Price. (Trust Indenture, Sections 6.1, 6.4 and 8.10; Supplemental Indentures, Section 1.8; Leases, Section 9)

ADDITIONAL NOTES

Additional Notes may be issued with respect to any Property under and secured by the related Indenture, at any time but on no more than two occasions (unless the Owner Participant shall have otherwise consented in writing), for the purpose of refunding any previously issued series of Notes issued with respect to such Property, provided that certain conditions are satisfied, including, among other things, that (i) either all Notes outstanding with

respect to such Property are being refunded or all Notes held in a particular Trust are being refunded, (ii) the aggregate weighted average life-to-maturity of all Additional Notes being issued in such refunding does not vary from the aggregate weighted average life-to-maturity reflected in the debt amortization schedule for the Notes to be refunded by more than six months, (iii) the final maturities of the Additional Notes being issued are not later than the original final maturity of the Notes to be refunded, (iv) the Additional Notes issued are in an aggregate principal amount equal to the lesser of (x) 105% of the principal amount of Notes to be refunded as of the date of such refunding and (y) 88% of the aggregate purchase price paid by the Owner Trustee for its interests in the Properties, (v) the payment dates and record dates for all Additional Notes being issued in such refunding do not vary from the payment dates and record dates for the Notes to be refunded and (vi) no Indenture Default, specified event that, with the giving of notice or lapse of time, or both, would become an Indenture Default, Lease Event of Default or event or condition that, with the giving of notice or lapse of time, or both, would constitute a Lease Event of Default relating to certain rental payment obligations or bankruptcy proceedings (a "Special Default") shall have occurred and be continuing. (Trust Indenture, Section 2.13; Supplemental Indentures, Section 1.13; Participation Agreement, Section 2.5)

Additional Notes may also be issued with respect to any Property under and secured by the related Indenture, at any time and from time to time, for the purpose of providing funds to finance the cost of certain modifications to such Property, provided that certain conditions set forth in the related Lease and the related Indenture are satisfied, including, among other things, that (i) the aggregate weighted average life-to-maturity of all Additional Notes being issued in such financing does not vary from the aggregate weighted average life-to-maturity reflected in the debt amortization schedule for the Notes related to such Property outstanding immediately prior to such issuance by more than six months, (ii) the Additional Notes shall be investment grade and there shall be written confirmation that the issuance of such Additional Notes does not adversely affect the rating of the Notes related to such Property outstanding immediately prior to such issuance, (iii) the aggregate principal amount of such Additional Notes shall not exceed 100% of the cost of such modification, (iv) the final maturities of the Additional Notes being issued are not later than the original final maturity of the Notes related to such Property outstanding immediately prior to such issuance, (v) the payment dates and record dates for all Additional Notes being issued in such financing do not vary from the payment dates and record dates of the Notes related to such Property outstanding immediately prior to such issuance and (vi) no Indenture Default, Lease Event of Default or Special Default shall have occurred and be continuing. (Trust Indenture, Section 2.13; Supplemental Indentures, Section 1.13; Participation Agreement, Section 9.2; Leases, Section 8(f))

The term, conditions and designations of such Additional Notes will be set forth in an amendment to the related Indenture. (Trust Indenture, Section 2.13) In addition, rent and other amounts payable by the Company under the related Lease will be adjusted to the extent necessary to provide rent payments and certain other payments sufficient to provide for the payment, when due, of the scheduled payments of principal of, Make-Whole Premium, if any, and interest on the related Notes as well as any such Additional Notes. (Participation Agreement, Section 2.5(c); Leases, Section 3(e)) All Notes issued and outstanding under any Indenture, including any Additional Notes, will be equally and ratably secured thereunder, without preference, priority or distinction of any thereof, or of any series thereof, over any other by reason of difference in time of issuance, maturity or otherwise. (Supplemental Indentures, Section 1.14)

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INDENTURE DEFAULTS; NOTICE AND WAIVER

Indenture Defaults include: (a) the failure to pay the principal of, Make-Whole Premium, if any, or interest on any of the Notes issued thereunder within 10 days after such payment becomes due; (b) a Lease Event of Default (other than the failure to make certain indemnity and other payments to the Owner Trustee or the Owner Participant), provided that the Loan Trustee or the holders of at least a majority in aggregate principal amount of the Notes issued thereunder notify the Owner Trustee of its or their intention to terminate the applicable Lease, commence an action to foreclose on the related Property or exercise any other comparable remedies under such Lease; (c) the commencement of voluntary bankruptcy or insolvency proceedings by the trust created by the Trust Agreement; (d) a decree or order for relief entered against the trust created by the Trust Agreement in any involuntary bankruptcy or insolvency proceeding, which decree or order shall not be dismissed or stayed for a period of 60 consecutive days; (e) the failure by the Owner Trustee to comply in any material respect with certain material covenants or obligations and which failure shall continue for a period of 60 days after written notice thereof to the Owner Trustee by the Loan Trustee or the holders of at least a majority in aggregate

principal amount of the outstanding Notes issued under such Indenture; provided, however, that if such breach cannot be cured by payment of money within such 60-day period or, with respect to other breaches, cannot be cured by diligent efforts within such 60-day period but such efforts shall have been properly commenced within such period, the cure period, as long as the Owner Trustee or Owner Participant is diligently pursuing a cure, shall be extended for an additional period of time as may be necessary to effect such cure but not to exceed 360 days; and (f) certain material representations or warranties of the Owner Trustee or the Owner Participant affecting the rights or interests of the Loan Trustee or the holders of the Notes issued under such Indenture proving to be inaccurate in any material respect when made, unless at the time such inaccuracy is identified such inaccuracy is no longer material or any material adverse impact thereof is cured within 60 days after written notice to the Owner Trustee or the Owner Participant by the Loan Trustee or the holders of at least a majority in aggregate principal amount of the outstanding Notes issued under such Indenture. Although the Notes are not cross collateralized, there are cross default provisions in the Leases and, consequently, a Lease Event of Default under any particular Lease will constitute not only an Indenture Default under the related Indenture but also a Lease Event of Default under each other Lease and, consequently, an Indenture Default under each other Indenture. See " -- The Leases -- Lease Events of Default." (Trust Indenture, Section 8.1)

If the Company fails to make any basic rent payment under a Lease within 10 days after the same shall become due, the Loan Trustee shall not exercise remedies under such Lease or declare the related Notes to be due and payable until 15 Business Days after the Owner Trustee and the Owner Participant have been given notice of such default. If the Owner Trustee or the Owner Participant furnishes to the Loan Trustee the amount of such rent payment, together with any interest thereon on account of the delayed payment thereof, within such 15 Business Day period, the Loan Trustee and the holders of such outstanding related Notes may not exercise any remedies otherwise available under the related Indenture or such Lease as the result of such failure to make such rental payment. The Owner Trustee's or the Owner Participant's right to cure an Indenture Default resulting from the failure by the Company to pay basic rent under any Lease will be limited to the right to cure an aggregate of six such defaults, or three consecutive such defaults. The Owner Trustee or the Owner Participant may also cure any other default by the Company in the performance of its obligations under any Lease. (Trust Indenture, Section 8.10(a))

During the occurrence and continuance of an Indenture Default, the Loan Trustee may withhold any portion of the rent otherwise payable to the Owner Trustee without exercise of remedies under the related Lease until the earliest to occur of (i) the first Business Day following the date that is 180 days after the failure by the Owner Trustee to make any payment on the related Notes when due (including applicable grace periods); (ii) the first Business Day following the date that is 180 days after the Loan Trustee shall have received notice of any other Indenture Default (including applicable grace periods); (iii) the date there shall no longer be continuing an Indenture Default (in each of which cases (described in clauses (i), (ii) and (iii)) such rent shall be distributed to the Owner Trustee and no further withholding of rent on account of such Indenture Default shall be effected); or (iv) the date of declaration of acceleration of the related Notes (in which case such rent shall be applied as provided in such Indenture). (Trust Indenture, Section 4.1(b))

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The holders of a majority in aggregate principal amount of the outstanding Notes issued under any Indenture, by written directive to the Loan Trustee, may on behalf of all holders of such Notes waive any past default under such Indenture, except a default in the payment of the principal of, Make-Whole Premium, if any, interest on, or other amounts due under, any such Note or a default in respect of any covenant or provision of such Indenture that cannot be modified or amended without the consent of each holder of such Notes. (Trust Indenture, Section 8.9)

REMEDIES

If an Indenture Default has occurred and is continuing, to the extent permitted by law, the Loan Trustee in its discretion may, or the holders of not less than a majority in aggregate principal amount of the outstanding Notes issued under such Indenture may, or the Loan Trustee at the direction of the holders of not less than a majority in aggregate principal amount of such Notes shall, by written notice, declare the unpaid principal of all such Notes and the interest accrued thereon to be immediately due and payable, without Make-Whole Premium. To the extent permitted by law, the Loan Trustee will be deemed to have declared the principal of all such Notes to be due and payable upon the exercise by the Owner Trustee of certain remedies available to it that result in a termination of the related Lease, acceleration and receipt by such Loan Trustee of rent due thereunder or a demand for and receipt by the Loan Trustee of

liquidated damages equal to the higher of (a) a percentage stipulated in such Lease of the purchase price paid by the Owner Trustee for the Property or (b) the fair market sales value of such Property. (Trust Indenture, Sections 8.2(a) and 8.10(c); Leases, Section 16(a)(v))

The holders of a majority in aggregate principal amount of the outstanding Notes under any Indenture may rescind and annul any such acceleration before any sale of the Loan Trustee's interest in the related Property (the "Indenture Estate"), or any part thereof, if: (a) there has been paid to or deposited with the Loan Trustee an amount sufficient to pay (i) all overdue installments of interest on all of such Notes, (ii) the principal of and Make-Whole Premium, if any, on any such Notes that have become due otherwise than by such acceleration, and interest thereon as provided therein, and (iii) to the extent permitted by law, interest on overdue installments of interest; and (b) all Indenture Defaults with respect to the related Indenture have been cured or waived except non-payment of principal of such Notes which have become due solely by such acceleration. (Trust Indenture, Section 8.2(b))

If an Indenture Default that is also a Lease Event of Default has occurred and is continuing, the Loan Trustee may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the outstanding Notes issued pursuant to the related Indenture shall, subject to the condition described below and the Owner Trustee's rights to cure such Indenture Default or to purchase such Notes, exercise certain rights and remedies available to it under the related Lease, such Indenture and applicable law, including the right to (a) take possession of the related Indenture Estate, either directly or through an agent or court appointed receiver, and exclude the Owner Trustee and the Company to the extent permitted by law, (b) foreclose on the Indenture Estate and (c) enforce any security interests in personal property in accordance with law; provided that the Loan Trustee may not exercise any remedy against the Indenture Estate unless a declaration of acceleration of such Notes has been delivered to the Company and the Owner Trustee. (Trust Indenture, Section 8.3; Supplemental Indentures, Section 1.17)

In connection with an Indenture Default that arises solely by reason of a Lease Event of Default, the Loan Trustee may not exercise any of its rights and remedies under the related Indenture that would foreclose the lien of such Indenture or otherwise result in the exclusion of the Owner Trustee from the Indenture Estate or any substantial part thereof demised under the related Lease unless the Loan Trustee concurrently takes action under such Lease to dispossess the Company, terminates such Lease or effects any comparable remedy

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under such Lease. (Trust Indenture, Section 8.3) If the Company were a debtor in a proceeding under Title 11, United States Code ("the Bankruptcy Code") during a Lease Event of Default, the preceding condition could not be met by the Loan Trustee during the period when certain actions against the Company, including action to dispossess the Company, would be barred by the automatic stay provisions of the Bankruptcy Code.

So long as no Lease Event of Default shall have occurred and be continuing, foreclosure under the related Indenture would not result in the termination of the related Lease and the Loan Trustee would be prohibited from taking any action that would disturb the possession of the Company under such Lease. (Trust Indenture, Section 8.3)

The holders of a majority in aggregate principal amount of the outstanding Notes issued pursuant to any Indenture shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Loan Trustee or exercising any trust or power conferred on the Loan Trustee, provided that such direction does not conflict with applicable law or with the rights of the Owner Trustee under such Indenture, and provided further that the Loan Trustee may take any other action it deems proper that is not inconsistent with such direction. (Trust Indenture, Section 8.7)

If an Indenture Default occurs and is continuing, any sums held or received by the Loan Trustee shall be applied to pay the Loan Trustee all amounts then due to it under the related Indenture prior to any payments to holders of the Notes issued under such Indentures. (Trust Indenture, Section 4.3)

In the event of a bankruptcy of the Owner Participant, it is possible that, notwithstanding that the Owner Participant's interest in each Property is owned by the Owner Trustee in trust, the Leases, the Owner Trustee and the Notes might become affected by the bankruptcy proceedings. In such event, payments under the Leases or on the Notes might be interrupted and the ability of the Loan Trustee to exercise its remedies under the related Indenture might be restricted, although the Loan Trustee would retain its status as a secured creditor in respect of the related Lease and the related Property.

For federal income tax and accounting purposes, it is the intention of the Company that each leveraged lease transaction entered into by the Company constitutes a "true lease." It is also the intention and belief of the Company that each such transaction constitutes a "true lease" for purposes of applicable California state law. In this regard the Company has agreed not to take or omit to take any action during the Lease term inconsistent with "true lease" classification under California state corporate law. Notwithstanding the foregoing, a court applying the analysis used in certain California case law in an action involving the enforcement of any Lease might determine that the related leveraged lease transaction entered into by the Company was actually a loan and that the conveyance by the Company to the Owner Trustee constitutes an equitable mortgage of the related Property. In such event, the Owner Trustee would be considered a secured lender to the Company for purposes of enforcing state law landlord's remedies and the Loan Trustee would be considered a lender to the Owner Trustee holding an assignment of the security for such purposes. Therefore, in the event of a Lease Event of Default and an election by either the Owner Trustee or the Loan Trustee to demand payment of the amounts due under the terms of any Lease, the Owner Trustee or the Loan Trustee would be required to comply with the procedural requirements of, and would be subject to the legal limitations on recovery under, California law applicable to a lender seeking to recover the principal of a loan secured by real property. It is unclear whether the mortgage interest deemed to be held by the Owner Trustee in a recharacterized transaction would be deemed to be properly perfected and thus enforceable against other third party creditors. If the mortgage interest was deemed perfected, the Owner Trustee and, by assignment, the Loan Trustee would have a secured claim against the Company, would be required by law to proceed first by foreclosing on the related Property, and could subsequently seek a deficiency judgment against the Company if the value of such Property, as determined by a subsequent judicial hearing, were insufficient to redeem the related Notes. If such mortgage interest were not deemed perfected, it could be defeated by other creditors or a trustee in bankruptcy and the Owner Trustee and, by assignment, the Loan Trustee would have an unsecured claim against the Company in an amount at least equal to the principal of, and accrued interest on,

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the outstanding related Notes. Such unsecured claim would not be subject to the limitations on lessor damages imposed by section 502(b)(6) of the Bankruptcy Code. See "Description of the Notes -- Possible Rejection of the Leases by a Trustee in Bankruptcy" in the Prospectus.

MODIFICATION OF INDENTURES, LEASES AND OTHER DOCUMENTS

The parties to the Indentures, Leases, Participation Agreement, Basic Agreement and the other Transaction Documents (as defined in the Glossary) may grant consents under, or modify, waive, amend or supplement certain provisions of the Transaction Documents without the consent of any holder of outstanding Notes, provided that no such modification, amendment, supplement, consent or waiver shall, without the consent of the holder of each outstanding Note affected thereby, modify, amend or supplement, or give any consent in respect of or waive any provision of any related Lease in any manner (i) as to reduce the amounts payable by the Company under the Leases, or change the time for the payment thereof, so that such payments are less than the amounts necessary to pay the principal of, Make-Whole Premium, if any, and interest on the outstanding Notes when due (whether at maturity, upon acceleration or otherwise) or (ii) as would release the Company from its obligation in respect of payment of rent or any other amount payable under the Leases and intended to be used to pay the principal of, Make-Whole Premium, if any, or interest on the Notes, in any manner inconsistent with clause (i) above. In addition, without the consent of the Loan Trustee given at the direction of the holders of at least a majority of the outstanding related Notes, the Owner Trustee may not (except as it relates to certain indemnity or other payments to the Owner Trustee or the Owner Participant) agree to any amendment to, waiver, discharge, supplement or termination of, or grant any consent under, certain specified provisions of the Transaction Documents, including provisions of the Leases relating to (i) the permitted uses of the Properties; (ii) certain conditions the Company must satisfy in order to construct improvements to any Property; (iii) the rights of the Company upon the occurrence of an Event of Loss (if the result thereof would be to lower the threshold for a casualty to constitute an Event of Loss or adversely affect or delay or decrease the amount of any prepayment of the Notes); (iv) the events constituting Lease Events of Default; or (v) the remedies available to the Owner Trustee upon the occurrence of a Lease Event of Default. (Trust Indenture, Granting Clause; Supplemental Indentures, Granting Clause)

With the consent of the holders holding not less than a majority in aggregate principal amount of the then outstanding Notes issued with respect to any Property, by directive delivered to the Owner Trustee and the Loan Trustee, the Owner Trustee may and the Loan Trustee, upon receipt of a satisfactory opinion of counsel, shall amend the related Indenture; provided, however, that no such amendment shall, without the consent of the holder of each outstanding Note affected thereby: (i) change the stated maturity of the principal of, or any installment of interest on, or the dates or circumstances of payment of Make-Whole Premium, if any, on, any Note, or reduce the principal amount thereof or the interest thereon or any amount payable upon the redemption thereof, or change the circumstances for redemption or change the place of payment where, or the coin or currency in which, any Note or the Make-Whole Premium, if any, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment of principal or interest on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date) or such payment of Make-Whole Premium, if any, on or after the date such Make-Whole Premium becomes due and payable or change the dates or the amounts of payments to be made through installment payments; (ii) permit the creation of any lien prior to or (except in respect of any Additional Notes) pari passu with the lien of such Indenture with respect to any of the related Indenture Estate, or terminate the lien of such Indenture on any of such Indenture Estate or deprive the holder of any such Note of the security afforded by the lien of such Indenture except as may be required to release property from the lien of such Indenture as expressly provided in such Indenture; (iii) terminate the Leases, reduce the amounts payable under the Leases or change the time for the payment thereof so that such payments are less than the amounts necessary to pay when due the principal of, Make-Whole Premium, if any, and interest on the outstanding Notes or change the requirement that rent thereunder be sufficient to pay the principal of, Make-Whole Premium, if any, and interest on the Notes; (iv) reduce the percentage in principal amount of the outstanding Notes, the consent of the holders of which is required for any such amendment, or the consent of the holders of which is required for any waiver provided for in such Indenture; or (v) modify the provisions of such Indenture governing amendments or waivers thereunder except to increase the percentage of holders of Notes necessary to permit certain actions or

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to add provisions of such Indenture that cannot be modified or waived without the consent of each holder of a Note affected thereby. (Trust Indenture, Section 11.2; Supplemental Indentures, Granting Clause)

DISCHARGE AND DEFEASANCE OF THE INDENTURES AND NOTES IN CERTAIN CIRCUMSTANCES

The liens and security interests created by each Indenture shall cease to secure any obligations with respect to the Notes issued thereunder and the terms and conditions set forth in such Indenture shall no longer apply to such Notes or the holders thereof (except that certain terms, including the rights of such holders to receive payments of principal, Make-Whole Premium, if any, and interest, shall remain applicable in the case of (c) below), if at any time (a) the principal of, Make-Whole Premium, if any, and interest on such Notes have been paid, (b) all such Notes theretofore authenticated have been delivered to the Loan Trustee for cancellation or (c) there has been irrevocably deposited with the Loan Trustee, in trust, cash in an amount that will be sufficient to pay, or direct obligations of the United States of America maturing in such amounts and at such times as will ensure the availability of cash sufficient to pay, when due, the principal of, Make-Whole Premium, if any, and interest on such Notes; provided that concurrently with the deposit specified in (c) above, (i) there has been delivered to the Loan Trustee an opinion of counsel to the effect that such deposit and defeasance will not be deemed to be, or result in, a taxable event with respect to the holders of such Notes (and, so long as any Certificates remain outstanding, to the holders of such Certificates) for purposes of federal income taxation and (ii) certain other conditions have been satisfied. (Trust Indenture, Section 3.1)

EXCHANGE OF NOTES UNDER CERTAIN CIRCUMSTANCES

Upon the termination of any Lease because the related Property is deemed by the Company to be obsolete, uneconomic for use or surplus to the Company's needs, the Company may elect to satisfy all of the rights and obligations of the Owner Trustee under the related Indenture in respect of the related Notes by exchanging such Notes for (a) if such Property is sold to a party other than the Company, unsecured, full recourse securities of the Company or (b) if such Property is sold to the Company, secured, full recourse securities of the Company, in either case to be issued pursuant to an indenture reasonably satisfactory to the Loan Trustee. Such exchange may be made by the Company only if certain conditions are satisfied, including (i) the Company shall have paid all rent and other amounts due to the Owner Participant and the Owner Trustee

under the Transaction Documents through the date of such exchange; (ii) the securities issued by the Company in exchange for such Notes shall be issued in the same aggregate principal amount as the related Notes then outstanding (after giving effect to all payments of rent being made in connection with such exchange), bear the same interest rate, be payable in installments in the same manner, have the same stated maturity and otherwise have substantially the same terms as such Notes (except that, in the case of an exchange pursuant to (a) above, the new securities shall not contain any provisions relating to security interests in or mortgages of such Property); (iii) the Loan Trustee and the Owner Trustee shall have received an opinion of counsel to the effect that, among other things, the exchange shall not (A) cause any Trust holding Notes to become an "investment company" as defined in the Investment Company Act of 1940, as amended, (B) cause any holder of a Note to recognize income, gain or loss for tax purposes in connection with such exchange or (C) cause any adverse tax consequences to the Noteholders or to the Certificateholders; and (iv) in the case of an exchange pursuant to (b) above, no lien (other than specified permitted liens) shall exist upon such Property. In the case of an exchange pursuant to (a) above, holders of the securities would be required to rely solely on the general credit of the Company in connection with the repayment of such securities and would no longer have the benefit of a lien on the Properties. Upon any exchange contemplated by (a) or (b) above, the Owner Trustee will be released from all obligations with respect to such Notes. (Trust Indenture, Sections 13.1 and 13.2; Participation Agreement, Section 9.1(a))

THE LEASES

Term and Rent

The Owner Trustee's interest in each Property has been or will be leased separately by the Owner Trustee to the Company pursuant to the related Lease for a term (the "Interim Term") which, with respect to the Owner Trustee's interest in the seven Properties previously acquired, commenced December 29, 1993 and,

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with respect to the Owner Trustee's interest in the two Properties to be acquired by it upon the closing of the offering of the Certificates, will commence on the date of such acquisition, and expires on July 1, 1995. (Leases, Section 2(b)) The "Basic Term" of the Leases shall commence on July 2, 1995 and expire on December 30, 2018, unless earlier terminated or extended as described herein. (Leases, Section 2(b)) So long as no Lease Event of Default shall have occurred and be continuing, the Company is entitled to undisturbed possession of the Owner Trustee's interest in the related Property, even if an Indenture Default (other than a Lease Event of Default) has occurred and is continuing under the related Indenture. (Leases, Section 6)

The rent payments under each Lease will be payable on January 2 and July 2 (or, if such day is not a Business Day, on the next succeeding Business Day) commencing , and will be paid directly to the Loan Trustee as assignee of the Owner Trustee. (Leases, Sections 3 and 11(c)) Such payments, together with certain supplemental payments under the Leases, will be used to make payments of principal (other than principal due by reason of prepayment or acceleration) and accrued interest then due and unpaid on the Notes, which in turn will furnish the funds to be distributed to the Pass Through Trustee and thereafter to the Certificateholders. Amounts payable under each Lease will be sufficient to pay in full all payments of principal of, Make-Whole Premium, if any, and interest on the related Notes. In certain cases, the rent payments under the Leases may be adjusted, but adjusted rent payments may never be less than the scheduled payments of principal of and interest on the related Notes. (Leases, Section 3(g)) The balance of any payments of rent under any Lease, after payment of the payments of principal of, and interest on, the related Notes, will be paid by the Loan Trustee to the Owner Trustee or as the Owner Trustee may direct. (Trust Indenture, Section 4.1) The Company's obligation to pay rent and to cause other payments to be made under the Leases is the sole responsibility and obligation of the Company, not subject to any set-off, abatement, defense or counterclaim. (Leases, Section 4)

Net Lease; Use and Maintenance

The obligations of the Company under each Lease are those of a lessee under a "net lease," and the Company will be obligated, at its expense, to pay all costs and expenses of operating and maintaining the related Property. (Leases, Section 4) The Company may use and occupy each Property for any use permitted by applicable law. The Company has the right to discontinue operations at any Property, but the Company may not leave a Property vacant for more than six years if the Company has an investment grade credit rating or three years if it does not have such a credit rating. The discontinuance of operations at any Property will not relieve the Company of any of its obligations under the related Lease, including its obligations to repair and maintain such Property.

(Leases, Section 5(a)) Each Lease requires the Company to maintain the related Property in good repair and condition consistent with the standard of maintenance employed by the Company as of the commencement of such Lease with respect to similar properties located in the general geographic area where such Property is located, in material compliance with the conditions of all insurance policies required by such Lease, in a manner at least equal to the care and diligence used by the Company with respect to similar buildings utilized in the Company's business in the general geographic area where such Property is located and in compliance with all applicable laws. (Leases, Section 8(a))

Modifications

So long as no Lease Event of Default or Special Default shall have occurred and be continuing, the Company has the right under each Lease to make alterations, improvements and modifications to the related Improvements, to construct new buildings or other structures on the related Property or to replace any such property with other property (a "Modification") as it deems necessary or desirable so long as such Modifications, upon completion, will not diminish the value, utility or remaining useful life of such Property (except to an insignificant extent) or cause such Property to become a "limited use" property. (Leases, Section 8(c))

Subject to certain conditions, the Owner Participant may, but is not required to, finance the cost of any Modification to a Property. See "Description of the Notes -- Additional Notes." If the Owner Participant does not finance the entire cost of such Modification through an equity investment, the Company may request the Owner Trustee to issue, and the Owner Trustee shall issue subject to certain conditions, one or more series of Additional Notes in order to pay the cost of such Modification. Title to all Modifications that can not be

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removed from the Property without materially diminishing the value, utility or remaining useful life of such Property as compared to such value, utility or remaining useful life immediately prior to such Modification (a "Nonseverable Modification") will vest in the Owner Trustee upon completion of such Modification. Title to all Modifications that are financed by the Owner Participant will vest in the Owner Trustee on the date such financing is provided. All Modifications financed by the Owner Trustee and all Nonseverable Modifications shall be leased to the Company by the Owner Trustee under the related Lease and, upon request of the Company or the Owner Trustee, the related Lease will be amended or supplemented to reflect the lease of such Modifications. Title to all other Modifications will vest in the Company. (Leases, Sections 8(c), 8(e) and 8(f))

Sublease and Assignment

Upon the satisfaction of certain conditions, the Company has the right to assign its right, title and interest to and under any Lease to any person. Notwithstanding any such assignment, the Company will remain primarily liable for the performance of its obligations under such Lease and the Transaction Documents. (Leases, Section 11(a))

Upon the satisfaction of certain conditions and so long as no Lease Event of Default or Special Default shall have occurred and be continuing, the Company has the right to sublease all or any portion of any Property to any person, provided such sublease shall be expressly subject to and subordinate to the related Lease. No sublease may extend beyond the end of the Basic Term or any then exercised renewal term. Notwithstanding any such sublease, the Company will remain primarily liable for the performance of its obligations under such Lease and the Transaction Documents. (Leases, Section 11(b))

Insurance

The Company will, at its expense, maintain special form property insurance (all risk type) with respect to each Property, with coverage limits at least equal to the full replacement cost of the Owner Trustee's interest in such Property (exclusive of certain items) and upon such other terms as are comparable to such type of insurance maintained generally by entities engaged in the Company's business with respect to buildings and property that they occupy in the same geographic area that are similar in size and use to such Property. All policies covering loss of or damage to a Property shall be made payable to the Loan Trustee so long as the related Indenture is in effect; provided that, so long as no Lease Event of Default under the related Lease has occurred and is continuing, insurance proceeds not in excess of (i) \$5 million in respect of the Lease covering the Property including the distribution center and \$2 million in respect of each other Lease if the Company has an investment grade credit rating or (ii) \$1 million in respect of the Lease covering the Property including the

distribution center and \$500,000 in respect of each other Lease if it does not have such a credit rating, in each case as may be increased in an amount equal to the increase in the consumer price index, shall be paid solely to the Company. The Company is also required to maintain commercial general liability insurance covering claims arising out of the ownership, operation, maintenance, condition or use of each Property in such amounts not less than \$50 million combined single limit per occurrence and with such other terms as are comparable to the commercial general liability insurance that is maintained generally by entities engaged in the Company's business with respect to buildings and property that they occupy in the same geographic area that are similar in size and use to the Properties. The Company may satisfy all or a portion of its insurance requirements through self-insurance provided that the amount of such self-insurance with respect to each Property per occurrence may not exceed the lesser of (a) one percent of the Company's net worth and (b) \$5 million. The Loan Trustee, among others, will be named as an additional insured under all liability insurance policies required with respect to the Properties. (Leases, Section 10)

Termination

At any time following the first anniversary of the commencement of the Basic Term, the Company has the option, so long as no Lease Event of Default or Special Default shall have occurred and be continuing, to terminate any of the Leases if the Company determines in good faith that the related Property shall have become obsolete or uneconomic for use or surplus to its needs. No later than 150 days prior to the termination

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date for such Lease (the "Termination Date") specified in the notice of such termination, the Owner Trustee shall elect (i) to retain ownership of its interest in such Property, (ii) to effect a sale of its interest in such Property to the Company or (iii) to have the Company (as its non-exclusive agent) assume responsibility for the sale of such Property. If the Owner Trustee elects to retain ownership of such Property, there shall be deposited with the Loan Trustee cash in an amount (or certain investments maturing prior to the Termination Date in a principal amount) equal to the aggregate principal amount of the Notes related to such Property, together with accrued and unpaid interest and Make-Whole Premium, if any, and the Company shall pay to the Owner Trustee on the Termination Date any rent due on or prior to such Termination Date, an amount equal to any Make-Whole Premium payable on such Notes, accrued and unpaid interest on such Notes as of the Termination Date, and certain other amounts then payable to such Owner Participant, the Owner Trustee, the Loan Trustee, the Remainderman and the Pass Through Trustee. If the Owner Trustee elects to sell its interest in such Property on the Termination Date to the Company, the Company shall pay to the Owner Trustee and the Remainderman, an amount equal to the termination value identified in the related Lease (the "Termination Value"), plus any accrued but unpaid rent due on or prior to such Termination Date, an amount equal to any Make-Whole Premium payable on such Notes, accrued and unpaid interest on such Notes as of the Termination Date and certain other amounts then payable to the Owner Participant, the Lessor, the Loan Trustee, the Remainderman and the Pass Through Trustee; provided, however, that if such Notes have been exchanged for full recourse securities of the Company on the Termination Date, the Company will only be obligated to pay the Owner Trustee the excess, if any, of the Termination Value over the unpaid principal amount of such Notes. If the Property is sold on the Termination Date to a third party, the Owner Trustee shall retain the net sales proceeds subject to certain provisions of the related Indenture and the Company will be obligated to pay the Owner Trustee the excess of the Termination Value over such net sales proceeds, if any, together with all amounts payable under the related Lease. If the Owner Trustee has not elected to retain the related Property and neither the Company nor the Owner Trustee has sold such Property on or prior to the Termination Date, then the Company may under certain circumstances purchase such Property as described above. (Leases, Section 14; Participation Agreement, Section 9.1)

Substitution Right

Under each Lease, so long as no Lease Event of Default or Special Default shall have occurred and be continuing, the Company may substitute another property for the related Property (the "Substitution Right"), either following the occurrence of an Event of Loss or in the event that the Company determines in good faith that such Property shall have become obsolete or uneconomic for use or surplus to its needs. The Company may not substitute another property for the related Property unless it satisfies certain conditions with respect to the substitute property, including but not limited to, (a) that the fair market sales value, utility and remaining useful life of the land and Improvements and the respective interests therein of the Owner Trustee and the Remainderman of the substitute property are not less than the fair market sales value, utility and remaining useful life of the land and Improvements and the respective

interests therein of the Owner Trustee and the Remainderman of the substituted Property, (b) conveyance is made (i) to the Owner Trustee of good and marketable fee simple title to the Improvements located on the substitute property and an Estate for Years for a term equal to the then-remaining Estate for Years with respect to the substituted Property and (ii) to the Remainderman of good and marketable fee simple title to the remainder interest in the substitute property (subject to the Owner Trustee's Estate for Years), (c) the substitute property is leased upon all the terms and conditions of the initial Lease, (d) certain title, title insurance, appraisal and environmental conditions are satisfied, (e) the related Supplemental Indenture is amended to reflect the substitution and (f) delivery of appropriate opinions of counsel has been made. (Leases, Sections 9 and 14)

Certain Renewal Options and Rights of First Refusal

At the end of the term of a Lease after the scheduled maturity of the Notes, in the absence of a Lease Event of Default under such Lease, the Company will have certain options to renew such Lease for additional periods. The Remainderman has agreed that in the event the Company exercises its right to extend any Lease beyond the initial term thereof, the Remainderman will either sell its interest in the related Property to the Owner Trustee or lease the related land to the Owner Trustee for a term not less than the term of such Lease,

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as extended. In addition, the Remainderman has agreed that in the event the Company purchases the Owner Trustee's interest in any Property, the Remainderman will sell its interest in the Property to the Company for the consideration stipulated in the related Lease. (Leases, Section 12)

In the event the Owner Trustee or the Owner Participant elects to sell its interest in any Property to a third party, under certain circumstances the Company will have the right to purchase such Owner Trustee's or Owner Participant's interest, as the case may be, in such Property on the same terms as are being offered by such third party. The exercise of such right by the Company will not have any effect on the related Lease, nor will it result in any redemption of any of the Notes. (Participation Agreement, Section 8.2)

Event of Loss

If an Event of Loss occurs with respect to any Property, the Company may elect to terminate the related Lease or, if such Event of Loss is a casualty event and repairs can be completed within two years and prior to the scheduled expiration of such Lease, to repair such Property. If the Company does not elect to repair such Property pursuant to the related Lease, the Company is required to pay to the Owner Trustee and the Remainderman (to the extent not previously paid to the Owner Trustee or the Loan Trustee as insurance proceeds or condemnation awards or otherwise), a casualty value amount determined pursuant to the related Lease (the "Casualty Value"), certain interest and all rent and other amounts then due, whereupon the Lease term will end, the obligations of the Company thereunder will cease, and the Owner Trustee and the Remainderman will transfer such Property to the Company or as the Company otherwise directs. For a period of five years after such transfer, the Company will not be permitted to use such Property in the conduct of its business, nor will the Company be permitted to rebuild the Improvements to the same configuration as, or to a size within five percent of the size of, such Improvements prior to such Event of Loss. If an Event of Loss occurs and the Company elects to repair the affected Property, the related Lease will remain in effect and the Company must (i) commence reconstruction of the subject Property within one year after such casualty and (ii) complete reconstruction of such Property by the earlier of the second anniversary of the Event of Loss or the scheduled expiration of the term of the related Lease, such that the resulting Property shall have a value, utility and remaining useful life at least equal to that which such Property had immediately prior to such Event of Loss. (Leases, Section 9)

Lease Events of Default

Lease Events of Default under each Lease include, among other things: (a) a failure to make (i) any payment of basic rent, Casualty Value or Termination Value within 10 days after the same becomes due or (ii) certain other payments within 30 Business Days after the same becomes due and notice shall have been given by the Owner Trustee or the Loan Trustee; (b) a failure by the Company to carry or maintain any required insurance which failure continues until the fifth day before the end of the period during which the lapse of the applicable policy is not effective as to the additional insureds; (c) a failure by the Company to perform or observe any material covenant or agreement (other than those referred to in clauses (a) and (b) above) to be performed or observed by it under the Lease or any other Transaction Document to which it is a party, which failure

continues unremedied after notice by the Owner Trustee or the Loan Trustee and the lapse of specified cure periods; (d) one or more specified representations or warranties made by the Company in certain Transaction Documents proves to have been incorrect in any material respect when made and remains material and materially incorrect at the time in question, unless the fact, circumstance or condition that is the subject of such representation or warranty shall have been made true within 60 days after notice to the Company; (e) the occurrence of certain events of bankruptcy, reorganization or insolvency of the Company; (f) a Lease Event of Default has occurred and is continuing under any other Lease; or (g) the Company shall assign, sublease or otherwise transfer its right, title and interest in and to such Lease in violation of the terms thereof. (Leases, Section 15)

Upon the occurrence and continuance of any Lease Event of Default, the Owner Trustee may declare the related Lease to be in default. Except as provided below, and to the extent permitted by law, the Owner Trustee may at any time thereafter exercise one or more of the remedies set forth in the such Lease, including the right to terminate such Lease and repossess and use or relet the related Property, to sell such Property or

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any part thereof, together with any interest of the Owner Trustee in such Property free and clear of the Company's rights and retain the proceeds, and, so long as such Property has not been sold, to require the Company to pay as liquidated damages, certain unpaid rent plus any one of the following: (a) an amount equal to the excess, if any, of the Casualty Value over the fair market rental value of such Property for the remainder of the term of such Lease (discounted to present value), (b) an amount equal to the excess of the Casualty Value over the fair market sales value of such Property, (c) an amount equal to the excess of the present value of all installments of rent until the end of the term of such Lease over the present value of the fair market rental value of such Property until the end of such term or (d) an amount equal to the higher of the Casualty Value or the fair market sales value of such Property. Upon payment by the Company of the amount set forth in clause (d) above, the Owner Trustee is obligated to transfer such Property to the Company and the Lease term shall end and all of the Company's obligations under such Lease shall cease. (Leases, Section 16)

The Loan Trustee, as assignee of the Owner Trustee under the related Indenture, may exercise the remedies of the Owner Trustee under the related Lease subject to the fulfillment of the conditions precedent set forth in the related Indenture. These conditions precedent include the acceleration of the Notes and prior notice to the Owner Trustee and the Owner Participant of the intent to exercise remedies. Prior to the fulfillment of these conditions precedent, the Owner Trustee will be able to exercise remedies under the related Lease; provided that the Owner Trustee may not terminate such Lease except in connection with the payment of the amount referred to in clause (d) in the preceding paragraph. After the Loan Trustee has fulfilled the conditions precedent set forth in such Indenture for the exercise of remedies, the Owner Trustee shall retain the right to enforce the terms and conditions of such Lease and to declare such Lease in default and to make the demand for the payment of the amount described in clause (d) in the preceding paragraph. This right of the Owner Trustee to demand payment of the amount set forth in clause (d) in the preceding paragraph may, in practice, preclude the Loan Trustee from electing other remedies under such Lease. (Leases, Section 16; Trust Indenture, Granting Clause; Supplemental Indentures, Granting Clause)

THE PARTICIPATION AGREEMENT

The Company is required to indemnify the Owner Participant, the Owner Participant Parent, the Owner Trustee, the Connecticut Trustee, the Loan Trustee, the Remainderman and the Pass Through Trustee for certain losses and claims and for certain other matters. (Participation Agreement, Article VII) Subject to certain restrictions, the Owner Participant may transfer its interest in the Properties. (Participation Agreement, Article VIII; Trust Indenture, Section 8.3(c))

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

The following federal income tax information supplements the more detailed discussion in the Prospectus, and should be read in conjunction therewith. See "Certain Federal Income Tax Consequences" in the Prospectus.

ORIGINAL ISSUE DISCOUNT

Final Treasury Regulations have now been promulgated under the original issue discount ("OID") provisions of the Code (the "Final OID Regulations"). Although the Final OID Regulations are not identical to the Proposed OID

Regulations discussed in the Prospectus, the discussion of OID therein, as supplemented below, remains applicable under the Final OID Regulations, which taxpayers may apply to the Notes. Potential investors should consult their tax advisors concerning the particular effects of the Final OID Regulations as to them.

In general, a Note will be considered to be issued with OID, subject to a de minimis exception, to the extent the "stated redemption price at maturity" of such Note is greater than its "issue price." The stated redemption price at maturity of a debt instrument generally will equal all payments due under the debt instrument at any time, other than payments of "qualified stated interest," which is interest that is actually and unconditionally payable at fixed, periodic intervals of one year or less over the entire term of the debt

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instrument. The issue price of the Notes will equal the price paid therefor by the related Trusts, which will equal the offering price at which the Certificates are sold to the public.

Because the Notes do not provide for payments of interest for a period exceeding one year following issuance, no payments of interest under the Notes will be qualified stated interest. As a result, all interest that accrues and is payable with respect to the Notes will be included in the stated redemption price at maturity of such Notes, and will be included in OID. Certificate Owners will be required to include OID in gross income for U.S. federal income tax purposes in advance of the receipt of the cash to which such income is attributable. The amount of OID to be included in income in any tax period with respect to a Note will be determined using a constant yield to maturity method under the rules applicable to installment obligations. Any amounts included in income as OID with respect to a Note will increase a Certificate Owner's adjusted tax basis with regard to its interest in the Note.

ERISA CONSIDERATIONS

Employee benefit plans subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), individual retirement accounts and employee benefit plans subject to Section 4975 of the Internal Revenue Code of 1986, as amended (hereinafter referred to as "ERISA Plans" or "Plans"), may purchase Certificates issued by the Trusts, subject to certain legal restrictions. Under ERISA, any person who exercises any authority or control relating to management or disposition of the assets of an ERISA Plan is considered to be a fiduciary of such Plan. ERISA requires that fiduciaries of Plans cause the assets of such Plans to be invested prudently and for the exclusive benefit of participants. A fiduciary of a Plan contemplating the purchase of a Certificate should carefully consider how the purchase of a Certificate will relate to the Plan's investment portfolio.

RATING

It is a condition to the issuance of the Certificates that they be rated Baa2 by Moody's Investors Service, Inc. and BBB- by Standard & Poor's Corporation.

A security rating is not a recommendation to buy, sell or hold securities, may be subject to revision or withdrawal at any time by the assigning rating agency, and should be evaluated independently of any other rating.

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UNDERWRITING

Under the terms of and subject to the conditions contained in the Underwriting Agreement, Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and Salomon Brothers Inc (the "Underwriters") have each agreed to purchase from the Pass Through Trustee the percentage of the Certificates of each Trust and the aggregate principal amount of the Certificates of each Trust, in each case as set forth opposite its name below.

<TABLE>
<CAPTION>

UNDERWRITER	PERCENTAGE OF AGGREGATE PRINCIPAL AMOUNT OF EACH SERIES	TOTAL AGGREGATE PRINCIPAL AMOUNT OF CERTIFICATES
----- <S> Morgan Stanley & Co. Incorporated.....	----- <C> %	----- <C> \$

Goldman, Sachs & Co.		
Salomon Brothers Inc.....		
Total.....	100%	\$
	---	-----
	---	-----

</TABLE>

The Underwriting Agreement provides that the obligation of the Underwriters to pay for and accept delivery of the Certificates is subject to, among other things, the approval of certain legal matters by counsel and certain other conditions. The Underwriters are obligated to take and pay for all of the Certificates to be purchased by them if any are taken.

The Underwriters propose initially to offer all or part of the Certificates directly to the public at the public offering price per Certificate designation set forth on the cover page of this Prospectus Supplement and may offer a portion of the Certificates to dealers at a price which represents a concession not in excess of the amounts set forth below for the respective designations of Certificates. The Underwriters may allow, and such dealers may reallow, a concession not in excess of the amounts set forth below for the respective designations of Certificates to certain other dealers. After the initial public offering, the public offering price and such concessions may be changed.

<TABLE>
<CAPTION>

CERTIFICATE DESIGNATION	CONCESSION TO DEALERS	REALLOWANCE CONCESSION
-----	-----	-----
<S>	<C>	<C>
1994-A1.....	%	%
1994-A2.....		
1994-A3.....		

</TABLE>

The Company has agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended.

The Company does not intend to apply for listing of the Certificates on a national securities exchange, but has been advised by the Underwriters that they presently intend to make a market in the Certificates, as permitted by applicable laws and regulations. No Underwriter is obligated, however, to make a market in the Certificates and any such market may be discontinued at any time at the sole discretion of such Underwriter. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Certificates.

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APPENDIX

GLOSSARY OF CERTAIN TERMS

The following is a glossary of certain terms used in this Prospectus Supplement.

"Additional Notes" means the Notes which may be issued by the Owner Trustee under certain circumstances under one or more Supplemental Indentures with respect to the Properties.

"Basic Agreement" means the Pass Through Trust Agreement dated as of December 21, 1993 entered into between the Company and the Pass Through Trustee pursuant to which Pass Through Trust Agreement, as supplemented by the Trust Supplements, the Trusts will be formed.

"Business Day" means any day other than a Saturday or a Sunday or other day on which banks in New York, New York or the city in which the Loan Trustee's office is located are authorized or required to be closed or, if no Note is outstanding, the city in which the principal corporate trust office of the Owner Trustee is located.

"Cede" means Cede & Co.

"Certificate" means each of the Pass Through Certificates of the three Trusts to be issued by the Pass Through Trustee pursuant to the Basic Agreement and the Trust Supplements.

"Certificate Account" means the one or more non-interest bearing accounts established and maintained by the Pass Through Trustee pursuant to the Basic Agreement on behalf of the Certificateholders of the Trust created by the related Trust Supplement for the deposit of payments representing Scheduled

Payments on the Notes held in such Trust.

"Certificateholder" means the registered holder of any Certificate issued by a Trust.

"Certificate Owner" means a person having a beneficial interest in a Certificate.

"Company" means Smith's Food & Drug Centers, Inc.

"Connecticut Trustee" means State Street Bank and Trust Company of Connecticut, National Association, a national banking association, not in its individual capacity but solely as trustee under a trust agreement with the Owner Participant, and any successor thereunder.

"DTC" means The Depository Trust Company.

"DTC Participants" means those participants in DTC who are credited with ownership of the Certificates.

"Definitive Certificate" means a certificate representing a Certificate Owner's interest in the Certificates.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Estate for Years" means, with respect to each Property, the interest of the Owner Trustee in the parcel of land included in such Property granted by the Company to the Owner Trustee.

"Event of Loss" shall mean a condemnation if (i) an entire Property is taken in a condemnation, (ii) a portion of a Property is taken in a condemnation and, in the Company's reasonable opinion, such condemnation would significantly interfere with the value, use or remaining useful life of such Property, (iii) if there is a failure of title with respect to a Property and in the Company's reasonable opinion such failure of title would significantly interfere with the value, use or remaining useful life of such Property or (iv) a condemnation either (a) for a period of time extending beyond the term of the related Lease or (b) for a period of time longer than 10 years, in either such case so as to interfere materially, in Company's reasonable opinion, with the use or operation of the Property. "Event of Loss" shall also mean a casualty if, in any one occurrence, the cost of repairs of such casualty would be 40% or more of the fair market sales value of the Improvements thereon and the Company determines in its reasonable discretion that such Property is no longer suitable for use in its business.

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"Improvements" means, with respect to each Property, all buildings, facilities, personal property, fixtures, improvements or other structures located on or in or attached to, whether currently or in the future, such Property, and all substitutions and replacements thereof.

"Indenture" means the Trust Indenture, as supplemented by a Supplemental Indenture, pursuant to which a series of Notes is issued.

"Indenture Default" means each of the events designated as an event of default in an Indenture. For a description of certain events constituting Indenture Defaults, see "Description of Notes -- Indenture Defaults; Notice and Waiver" in this Prospectus Supplement.

"Indenture Estate" means, with respect to any Property, the entire interest of the Loan Trustee in such Property and related Lease under the related Indenture and such Lease.

"Lease" means the Lease Agreement entered into with respect to each Property between the Owner Trustee and the Company, as such Lease Agreement may from time to time be amended or supplemented.

"Lease Event of Default" means each of the events designated as an event of default in a Lease. For a description of certain events constituting Lease Events of Default, see "Description of the Notes -- The Leases -- Lease Events of Default" in this Prospectus Supplement.

"Loan Trustee" means Wilmington Trust Company, a Delaware banking corporation, in its capacity as indenture trustee under the Trust Indenture, and any successor thereunder.

"Modification" means (a) any alteration, improvement or modification to any

Improvement, other than original, substitute or replacement parts incorporated into such Improvement and (b) the addition, betterment, expansion or enlargement of any Improvement or the construction of a new building or other structure on a Property or the replacement of any such property with other property.

"Nonseverable Modification" means Modifications which cannot be removed from the Property without diminishing the value, utility or remaining useful life of such Property as compared to the value, utility and remaining useful life of such Property immediately prior to such Modification.

"Notes" means the notes issued on a nonrecourse basis by the Owner Trustee under the Indentures.

"Owner Participant" means the owner participant for whose benefit the Owner Trustee owns the Properties leased to the Company pursuant to the Leases and its permitted successors and assigns.

"Owner Participant Parent" means the parent corporation of the Owner Participant and such parent corporation's successors and assigns.

"Owner Trustee" means State Street Bank and Trust Company of California, National Association, a national banking association, not in its individual capacity but solely as trustee under the Trust Agreement, and any successor thereunder.

"Pass Through Trustee" means Wilmington Trust Company, a Delaware banking corporation, in its capacity as Pass Through Trustee under the Basic Agreement, and any successor thereunder.

"Pool Balance" means, for each Trust, as of any date, the aggregate unpaid principal amount (including accretion of discount) of the Notes held in such Trust on such date plus any amounts in respect of principal on such Notes held by the Pass Through Trustee and not yet distributed. The Pool Balance for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Notes held in such Trust and distribution thereof to be made on that date.

"Pool Factor" means, for each Trust, as of any date after _____, 199____, in the case of the 1994-A1 Trust and 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance of such Trust by (ii) the aggregate principal amount of the Notes held in such Trust. The Pool Factor for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Notes held in such Trust and distribution thereof to be made on that date.

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"Property" means each of the nine properties subject to the leveraged lease transactions described in this Prospectus Supplement, and any property that may be substituted therefor in accordance with the Leases.

"Redemption Price" means, as to any Note or portion thereof, on the applicable redemption or repurchase date therefor, the outstanding principal amount thereof, together with accrued interest thereon to such redemption or purchase date.

"Regular Distribution Date" means January 2 and July 2 of each year, commencing on or after _____ in the case of the 1994-A2 Trust and _____ in the case of the 1994-A3 Trust, until payment of all the Scheduled Payments to be made under the Notes has been made.

"Remainderman" means an unaffiliated trust to whom the Company has conveyed or will convey its interest in the parcel of land (but not the Improvements thereon) included in each Property, subject to an Estate for Years.

"Remainderman Participant" means the remainderman participant for whose benefit the Remainderman Trustee owns the remainderman interest in the Properties and its permitted successors and assigns.

"Remainderman Trustee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as the Remainderman Trustee under the trust agreement governing the Remainderman.

"Scheduled Payment" means each payment of interest or principal on a Note scheduled to be received by the Pass Through Trustee on _____ in the case of Notes held in the 1994-A1 Trust and on January 2 or July 2 of each year commencing _____ in the case of Notes held in the 1994-A2 Trust and the 1994-A3 Trust until the final distribution date for each such Trust.

"Special Default" means an event or condition that, with the giving of notice or lapse of time, or both, would constitute a Lease Event of Default relating to certain rental payment obligations or bankruptcy proceedings.

"Special Distribution Date" means any Business Day on which a Special Payment will be distributed.

"Special Payment" means (i) any payment of principal, Make-Whole Premium, if any, and interest received by the Pass Through Trustee on account of the early redemption of a Note held in a Trust, (ii) any payment of principal and interest (including any interest accruing upon default) on or any other amount in respect of a Note upon an Indenture Default in respect of, or upon acceleration relating to, a Note held in a Trust or (iii) any payment of principal, Make-Whole Premium, if any, and interest on a Note which is not received by the Pass Through Trustee within five days after a Regular Distribution Date.

"Special Payments Account" means the one or more accounts established and maintained by the Pass Through Trustee pursuant to the Agreement on behalf of the Certificateholders of the Trust created by the related Trust Supplement for the deposit of payments representing Special Payments.

"Supplemental Indenture" means each of the nine separate Supplemental Indentures to the Trust Indenture entered into among the Owner Trustee, the Loan Trustee and Stewart Title of California, as trustee, pursuant to which the Notes with respect to each Property will be issued.

"Transaction Documents" means each of the Leases, the Trust Agreement, the Basic Agreement, each Supplemental Indenture when executed and delivered, each of the Notes when executed, authenticated and delivered, each Trust Supplement when executed and delivered, the Certificates when executed, authenticated and delivered, the Participation Agreement and certain related instruments and documents contemplated by the foregoing.

"Trust" means each of the three separate Smith's Food & Drug Centers, Inc. 1994-A Pass Through Trusts, to be formed pursuant to the Basic Agreement and a Trust Supplement.

"Trust Agreement" means the Trust Agreement dated as of December 21, 1993 between the Connecticut Trustee and the Owner Trustee, as such Trust Agreement may from time to time be amended or supplemented.

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"Trust Indenture" means the Trust Indenture and Security Agreement entered into with respect to each Property between the Owner Trustee and the Loan Trustee pursuant to which Trust Indenture and Security Agreement, as supplemented by the Supplemental Indentures, the Owner Trustee will issue the Notes with respect to such Property.

"Trust Property" means the property held by each Trust which includes the Notes, all monies at any time paid thereon and all monies due and to become due thereunder and funds from time to time deposited with the Pass Through Trustee in accounts relating to such Trust.

"Trust Supplement" means each of the three separate Trust Supplements to the Basic Agreement entered into between the Company and the Pass Through Trustee pursuant to which the three separate Trusts will be formed.

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PROSPECTUS

Smith's Food & Drug Centers, Inc.
PASS THROUGH CERTIFICATES

Up to \$300,000,000 aggregate principal amount of Pass Through Certificates (the "Certificates") (or such greater amount if Certificates are issued at an original issue discount as shall result in aggregate proceeds of \$300,000,000) may be offered for sale from time to time pursuant to this Prospectus and related Prospectus Supplements (as defined below). Certificates may be issued in one or more series in amounts, at prices and on terms to be determined at the time of the offering. In respect of each offering of Certificates, a separate Smith's Food & Drug Centers Pass Through Trust for each series of Certificates being offered (each, a "Trust") will be formed pursuant to the Pass Through

Trust Agreement (the "Basic Agreement") and the supplement thereto (a "Trust Supplement") relating to such Trust between Smith's Food & Drug Centers, Inc. (the "Company") and Wilmington Trust Company (the "Pass Through Trustee"), as trustee under each Trust. Each Certificate in a series will represent a fractional undivided interest in the related Trust and will have no rights, benefits or interest in respect of any other Trust. The property of each Trust will consist of notes issued (a) on a nonrecourse basis by the trustees of an owner trust (each, an "Owner Trustee") pursuant to separate leveraged lease transactions to finance or refinance a portion of the cost to such Owner Trustee or Owner Trustees of one or more real properties, including improvements thereon (each, a "Leased Property" and collectively, the "Leased Properties"), which have been or will be leased to the Company (the "Leased Property Notes"), or (b) with recourse to the Company to finance or refinance all or a portion of the cost of one or more real properties, including improvements thereon (each, an "Owned Property" and collectively, the "Owned Properties" and, together with the Leased Properties, each, a "Property" and collectively, the "Properties"), which have been or will be purchased and owned by the Company (the "Owned Property Notes" and, together with the Leased Property Notes, the "Notes").

Certain specific terms of the particular Certificates in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement") including, where applicable, the specific designation, form, aggregate principal amount, initial public offering price and distribution dates relating to such Certificates, the Trust or Trusts relating to such Certificates, the Notes to be purchased by such Trust or Trusts, the Properties relating to such Notes, the leveraged lease transactions or financing arrangements, as the case may be, relating to such Notes and other special terms relating to such Certificates and the net proceeds from the offering of such Certificates. If so specified in the applicable Prospectus Supplement, the Certificates may be issued in accordance with a book-entry system in registered form only.

Notes may be issued in respect of a Property in one or more series, each series having its own interest rate and final maturity date. A Trust will purchase all of each series of Notes relating to each Property and having an interest rate equal to the interest rate applicable to the Certificates issued by such Trust and maturity dates occurring on or before the final distribution date applicable to such Certificates. Interest paid on the Notes held in each Trust will be passed through to the holders of the Certificates relating to such Trust on the dates and at the rate per annum set forth in the Prospectus Supplement relating to such Certificates until the final distribution date for such Trust. Principal paid on the Notes held in each Trust will be passed through to the holders of the Certificates relating to such Trust in scheduled amounts on the dates set forth in the Prospectus Supplement relating to such Certificates until the final distribution date for such Trust.

The Notes issued with respect to each Property will be secured by a mortgage on such Property and, in the case of each Leased Property, by a security interest in the lease relating to such Leased Property, including the right to receive rentals payable in respect of such Leased Property by the Company. Although neither the Certificates nor the Leased Property Notes will be direct obligations of, or guaranteed by, the Company, the amounts unconditionally payable by the Company pursuant to the lease related to each Leased Property will be sufficient to pay in full when due all payments required to be made on the related Leased Property Notes.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Certificates may be sold to or through underwriters, through dealers or agents or directly to purchasers. The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Certificates in respect of which this Prospectus is being delivered and any applicable fee, commission or discount arrangements with them. See "Plan of Distribution."

This Prospectus may not be used to consummate sales of Certificates unless accompanied by a Prospectus Supplement.

MORGAN STANLEY & CO.
Incorporated

January 26, 1994

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company can be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, Room 1024, as well as at the Commission's Regional Offices located at Northwestern Atrium Center, 500 West Madison Street, Chicago, Illinois 60661, Suite 1400, and Seven World Trade Center, New York, New York 10048, Suite 1300. Copies of such material may be obtained by mail from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Company's Class B Common Stock is listed on the New York Stock Exchange and reports, proxy statements and other information regarding the Company can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by the Company with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the Certificates offered hereby.

REPORTS TO CERTIFICATEHOLDERS BY THE PASS THROUGH TRUSTEE

Wilmington Trust Company, as trustee for the holders of the Certificates with respect to each Trust, pursuant to the Basic Agreement and the related Trust Supplement, will provide such holders certain periodic statements concerning distributions made with respect to such Trust. See "Description of the Pass Through Certificates -- Reports to Certificateholders."

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the Exchange Act and are incorporated by reference in this Prospectus:

1. the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993 (which incorporated certain portions of the Company's 1992 Annual Report to Stockholders and Proxy Statement relating to the 1993 Annual Meeting of Stockholders); and

2. the Company's Quarterly Reports on Form 10-Q for the quarters ended April 3, 1993, July 3, 1993 and October 2, 1993.

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All documents filed by the Company pursuant to section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Certificates offered hereby shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other

subsequently filed document which also is or is deemed to be incorporated herein by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such copies should be directed to Smith's Food & Drug Centers, Inc., P.O. Box 30550, Salt Lake City, Utah 84130, telephone (801) 974-1400, Attention: Investor Relations.

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THE COMPANY

The Company is a leading regional supermarket and drug store chain, which operated 129 stores as of January 1, 1994 in Arizona, California, Idaho, Nevada, New Mexico, Texas, Utah and Wyoming.

The Company develops, owns and operates combination food and drug centers which offer a full selection of supermarket food items, a wide assortment of nonfood and drug items and a number of specialty departments. Primary food products sold in the stores include groceries, meat, poultry, produce, dairy products, delicatessen items, prepared foods, bakery products, frozen foods and take-out foods, as well as specialty fish, meat and cheese. Nonfood items available in the stores include full-line pharmacy and related over-the-counter drug items, health and beauty aids, video rentals, in-store banking services, housewares, toys, camera/photo department items, one-hour photo processing, cosmetics and other general merchandise. The Company's 129 stores at January 1, 1994 consisted of 115 large combination food and drug centers averaging 69,200 square feet, 12 superstores averaging 40,500 square feet and two conventional stores averaging 26,000 square feet.

The combination stores range in size from 45,000 to 86,000 square feet and offer a complete line of supermarket, nonfood and drug products. These stores feature modern, attractive layouts with wide aisles and well-lighted spaces to facilitate convenient shopping, a variety of specialty departments and centralized, highly automated checkout facilities. The superstores range in size from 30,000 to 45,000 square feet and have the appearance of a large supermarket augmented with a significant amount of nonfood and drug merchandise. Generally the superstores have fewer and more limited specialty departments than the combination stores. The conventional stores have the appearance of traditional supermarkets.

The Company offers customers a broad product selection at everyday low prices combined with quality customer service in large, modern, attractive food and drug centers with ample parking. Customers are able to fill a substantial portion of their daily and weekly shopping needs at one convenient location. The Company promotes its reputation as a low price competitor in its market areas through a policy of everyday low pricing. Management attributes much of the Company's success to combining broad product selection and everyday low prices with quality customer service.

The Company's primary focus in existing markets has been on increasing sales volume by opening stores in adjacent or ancillary markets. The Company also has focused on new markets. During 1993, the Company opened 11 combination stores in the following states: eight in California and one each in New Mexico, Texas and Utah. The Company has selected Southern California as its primary area of expansion. It has in progress an expansion program which calls for up to 60 stores in the Southern California markets prior to mid-1997, of which 26 were open and operating on January 1, 1994. The Company plans to open an additional 10 to 12 stores at locations primarily in Southern California during 1994.

The Company was founded in 1948 and reincorporated under Delaware law in 1989. The principal executive offices are located at 1550 South Redwood Road, Salt Lake City, Utah 84104, and its telephone number is (801) 974-1400. As used herein, the "Company" refers to Smith's Food & Drug Centers, Inc. and its subsidiaries and predecessors, unless the context otherwise requires. The Company's Class B Common Stock is traded on the New York Stock Exchange under the symbol "SFD."

FORMATION OF THE TRUSTS

In respect of each offering of Certificates, one or more Trusts will be formed, and the related Certificates issued, pursuant to separate Trust Supplements to be entered into between the Pass Through Trustee and the Company in accordance with the terms of the Basic Agreement. Concurrently with the execution and delivery of each Trust Supplement, the Pass Through Trustee, on behalf of the Trust formed thereby, will enter into a separate financing agreement (each such financing agreement being herein referred to as a "Participation Agreement") relating to one or more of the Properties described in the applicable Prospectus Supplement. Pursuant to the applicable Participation Agreement or Participation Agreements, the Pass Through Trustee, on behalf of each Trust, will purchase all of the series of Notes relating to the relevant Properties and having an interest rate equal to the interest rate payable by such Trust on the Certificates that will be issued by such

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Trust. The maturity dates of the Notes acquired by each Trust will occur on or before the final distribution date applicable to the Certificates that will be issued by such Trust. The Pass Through Trustee will distribute the amount of payments of principal, premium, if any, and interest received by it as holder of the Notes to the Certificateholders of the Trust in which such Notes are held. See "Description of the Certificates" and "Description of the Notes."

USE OF PROCEEDS AND STRUCTURE OF TRANSACTION

The Certificates offered pursuant to any Prospectus Supplement will be issued in order to facilitate (a) the financing or refinancing of the debt portion and, in certain cases, the refinancing of some of the equity portion of one or more separate leveraged lease transactions entered into by the Company, as lessee, with respect to one or more Leased Properties, as described in the applicable Prospectus Supplement, and (b) the financing or refinancing of the aggregate principal amount of debt to be issued by the Company in respect of one or more Owned Properties, as described in the applicable Prospectus Supplement.

The proceeds from the sale of the Certificates offered pursuant to any Prospectus Supplement will be used by the Pass Through Trustee on behalf of the applicable Trust or Trusts to purchase (a) Leased Property Notes issued by the related Owner Trustee or Owner Trustees to finance or refinance a portion (as specified in the applicable Prospectus Supplement) of the cost of the related Leased Property or Leased Properties and/or (b) Owned Property Notes issued by the Company to finance or refinance all or a portion (as specified in the applicable Prospectus Supplement) of the cost of the related Owned Property or Owned Properties. Any portion of the proceeds from the sale of Certificates not used by the Pass Through Trustee to purchase Notes on or prior to the date specified therein in the applicable Prospectus Supplement will be distributed on a Special Distribution Date (as hereinafter defined) to the applicable Certificateholders, together with interest, but without premium. See "Description of Certificates -- Special Distribution Upon Unavailability of Property."

The Leased Property Notes with respect to each Leased Property will be issued under separate Trust Indenture and Security Agreements (the "Leased Property Indentures") between Wilmington Trust Company, as trustee thereunder (in such capacity, herein referred to as the "Loan Trustee"), and an institution specified in the related Prospectus Supplement acting not in its individual capacity (except as expressly set forth therein) but solely as owner trustee (an "Owner Trustee") of a separate trust for the benefit of one or more institutional investors (each, an "Owner Participant"). With respect to each Leased Property, the related Owner Participant will have provided or will

provide from sources other than the Leased Property Notes a portion (as specified in the applicable Prospectus Supplement) of the cost of such Leased Property. No Owner Participant, however, will be personally liable for any amount payable under the related Leased Property Indenture or the Leased Property Notes issued thereunder. Simultaneously with the acquisition of each Leased Property, the related Owner Trustee leased or will lease such Leased Property to the Company pursuant to a separate lease agreement (each, a "Lease"). The Owned Property Notes will be issued under separate Trust Indenture and Security Agreements (the "Owned Property Indentures" and together, with any Leased Property Indentures, the "Indentures") between the applicable Loan Trustee and the Company.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the Company for the periods indicated.

<TABLE>
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	NINE MONTHS ENDED		YEAR ENDED				
	OCTOBER 2, 1993	OCTOBER 3, 1992	JANUARY 2, 1993	DECEMBER 28, 1991	DECEMBER 29, 1990	DECEMBER 30, 1989	DECEMBER 31, 1988
				(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ratio of earnings to fixed charges.....	2.06x	2.58x	2.51x	2.44x	2.36x	2.13x	1.82x

</TABLE>

For purposes of computing the ratio of earnings to fixed charges, "earnings" consist of income before provision for income taxes and fixed charges (excluding interest capitalized). For purposes of computing the

ratio of earnings to fixed charges, "fixed charges" consist of interest, amortized debt expense and the portion of operating lease rentals that are representative of the interest factor.

DESCRIPTION OF THE CERTIFICATES

In connection with each offering of Certificates, one or more separate Trusts will be formed and one or more series of Certificates will be issued pursuant to the Basic Agreement and one or more separate Trust Supplements to be entered into between the Company and the Pass Through Trustee. The statements made under this caption are summaries and reference is made to the detailed provisions of the Basic Agreement, which has been filed as an exhibit to the Registration Statement and which will be qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Such summaries relate to the Basic Agreement and each of the Trust Supplements, the Trusts to be formed thereby and the Certificates to be issued by each Trust except to the extent, if any, described in the applicable Prospectus Supplement. The Prospectus Supplement that accompanies this Prospectus contains a glossary of the terms used with respect to the specific series of Certificates being offered thereby. The Trust Supplement relating to each series of Certificates and the forms of the related Participation Agreement and Indenture and, if the Certificates relate to any Leased Property, the related Lease or Leases and trust agreement entered into by the Owner Participant and the Owner Trustee with respect to such related Leased Property (a "Trust Agreement") will be filed as exhibits to a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K to be filed by the Company with the Commission following the issuance of such series of Certificates. Citations to the relevant sections of the Basic Agreement appear below in parentheses unless otherwise indicated.

The Certificates offered pursuant to this Prospectus will be limited to \$300,000,000 aggregate principal amount (or such greater amount if Certificates are issued at an original issue discount as shall result in aggregate proceeds of \$300,000,000).

Certain provisions of the description of the Certificates in this Prospectus do not necessarily apply to one Certificate of each Trust which may be issued in a denomination of less than \$1,000.

GENERAL

Each Certificate will represent a fractional undivided interest in the Trust created by the Trust Supplement pursuant to which such Certificate was issued and all payments and distributions with respect thereto shall be made

only from the related Trust Property (as defined below). The property of each Trust (the "Trust Property") will include the Notes held in such Trust, all monies at any time paid thereon and all monies due and to become due thereon and funds from time to time deposited with the Pass Through Trustee in accounts relating to such Trust. Unless otherwise specified in the applicable Prospectus Supplement, Certificates will be issued in minimum denominations of \$1,000 or any integral multiple thereof. (Sections 2.01 and 3.01) The Certificates do not represent an interest in or obligation of the Company, the Pass Through Trustee, any Owner Trustee in its individual capacity, any Owner Participant, or any affiliate of any thereof.

Reference is made to the Prospectus Supplement that accompanies this Prospectus for a description of the specific series of Certificates being offered thereby, including: (1) the specific designation and title of such Certificates; (2) the Regular Distribution Dates (as hereinafter defined) and Special Distribution Dates (as hereinafter defined) applicable to such Certificates; (3) the specific form of such Certificates, including whether or not such Certificates are to be issued in accordance with a book-entry system, in registered form or in bearer form; (4) a description of the Notes to be purchased by the related Trust, including the period or periods within which, the price or prices at which and the terms and conditions upon which such Certificates may or must be redeemed, in whole or in part, by the Company or, with respect to Leased Property Notes, the related Owner Trustee; (5) a description of the related Property or Properties, including whether each such Property is a Leased Property or an Owned Property; (6) a description of the related Participation Agreement and Indenture, including a description of the events of default thereunder, the remedies exercisable upon the occurrence of such events of default and any limitations on the exercise of such remedies with respect to such

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Notes; (7) if such Certificates relate to a Leased Property or Leased Properties, a description of the related Lease or Leases and Trust Agreement, including (a) the names of the related Owner Trustee, (b) a description of the events of default under the related Lease or Leases, the remedies exercisable upon the occurrence of such events of default and any limitations on the exercise of such remedies with respect to such Leased Property Notes and (c) the rights of the related Owner Trustee, if any, and/or Owner Participant, if any, to cure failures of the Company to pay rent under the related Lease or Leases; (8) the extent, if any, to which the provisions of the operative documents applicable to such Notes may be amended by the parties thereto without the consent of the holders of, or only upon the consent of the holders of a specified percentage of aggregate principal amount of, such Notes; and (9) any other special terms pertaining to such Certificates.

BOOK-ENTRY REGISTRATION

General. If so specified in the applicable Prospectus Supplement, the Certificates of each Trust may be issued in fully registered form pursuant to a book-entry system. In the event that the Certificates of any series are issued pursuant to a book-entry system, such Certificates will be registered in the name of Cede & Co. ("Cede") as the nominee of The Depository Trust Company ("DTC"). No person acquiring an interest in such Certificates (a "Certificate Owner") will be entitled to receive a certificate representing such person's interest in such Certificates, except as set forth below under "Definitive Certificates." Unless and until Definitive Certificates are issued under the limited circumstances described herein, all references to actions by Certificateholders shall refer to actions taken by DTC upon instructions from DTC Participants (as defined below), and all references herein to distributions, notices, reports and statements to Certificateholders shall refer, as the case may be, to distributions, notices, reports and statements to DTC or Cede, as the registered holder of such Certificates, or to DTC Participants for distribution to Certificate Owners in accordance with DTC procedures. (Section 3.09)

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to section 17A of the Exchange Act. DTC was created to hold securities for its participants ("DTC Participants") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entries, thereby eliminating the need for physical transfer of certificates. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the DTC system also is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant either directly or indirectly ("Indirect Participants").

Persons that are not DTC Participants or Indirect Participants but desire

to purchase, sell or otherwise transfer ownership of, or other interests in, the Certificates may do so only through DTC Participants and Indirect Participants. In addition, Certificate Owners will receive all distributions of principal and interest from the Pass Through Trustee through DTC Participants or Indirect Participants, as the case may be. Under a book-entry format, Certificate Owners may experience some delay in their receipt of payments, since such payments will be forwarded by the Pass Through Trustee to Cede, as nominee for DTC. DTC will forward such payments in same-day funds to DTC Participants who are credited with ownership of the Certificates in amounts proportionate to the principal amount of each such DTC Participant's respective holdings of beneficial interest in the Certificates. DTC Participants will thereafter forward payments to Indirect Participants or Certificate Owners, as the case may be, in accordance with customary industry practices. The forwarding of such distributions to the Certificate Owners will be the responsibility of DTC Participants. Unless and until the Definitive Certificates are issued under the limited circumstances described herein, the only "Certificateholder," as such term is used in the Basic Agreement, will be Cede, as nominee of DTC. Certificate Owners will not be recognized by the Pass Through Trustee as Certificateholders, and Certificate Owners will be permitted to exercise the rights of Certificateholders only indirectly through DTC and DTC Participants.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers of the Certificates among DTC Participants on whose behalf it acts with respect to the Certificates and to receive and transmit distributions of principal, premium, if any, and

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interest with respect to the Certificates. DTC Participants and Indirect Participants with which Certificate Owners have accounts with respect to the Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective customers. Accordingly, although Certificate Owners will not possess the Certificates, the Rules provide a mechanism by which Certificate Owners will receive payments and will be able to transfer their interests.

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants, the ability of a Certificate Owner to pledge the Certificates to persons or entities that do not participate in the DTC system, or to otherwise act with respect to such Certificates, may be limited due to the lack of physical certificates for such Certificates.

DTC will take any action permitted to be taken by a Certificateholder under the Basic Agreement only at the direction of one or more DTC Participants to whose accounts with DTC the Certificates are credited. Additionally, DTC has advised the Company that in the event any action requires approval by Certificateholders of a certain percentage of beneficial interest in each Trust, DTC will take such action only at the direction of and on behalf of DTC Participants whose holders include undivided interests that satisfy any such percentage. DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC Participants whose holders include such undivided interests.

Neither the Company nor the Pass Through Trustee will have any liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Certificates held by Cede, as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The foregoing information concerning DTC and DTC's book-entry system has been obtained from sources the Company believes to be reliable. The Company, however, has not undertaken any independent verification thereof.

Definitive Certificates. Certificates will be issued in certificated form ("Definitive Certificates") to Certificate Owners or their nominees, rather than to DTC or its nominee, only if (i) the Company advises the Pass Through Trustee in writing that DTC (or a successor thereto) is no longer willing or able to discharge properly its responsibilities as depository with respect to such Certificates and the Company is unable to locate a qualified successor, (ii) the Company, at its option, advises the Pass Through Trustee in writing of its election to terminate the book-entry system through DTC (or a successor thereto) or (iii) after the occurrence of an Event of Default (as hereinafter defined) Certificate Owners with fractional undivided interests aggregating not less than a majority in interest in such Trust advise the Pass Through Trustee, the Company and DTC through DTC Participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in the Certificate Owners' best interest. (Section 3.09)

Upon the occurrence of any event described in the immediately preceding paragraph, the Pass Through Trustee will be required to notify all Certificate Owners through DTC Participants of the availability of Definitive Certificates. Upon surrender by DTC of the certificates representing the Certificates and receipt of instructions for re-registration, the Pass Through Trustee will reissue the Certificates as Definitive Certificates to Certificate Owners. (Section 3.09)

Distributions of principal, premium, if any, and interest with respect to Certificates will thereafter be made by the Pass Through Trustee directly, in accordance with the procedures set forth in the Basic Agreement and the applicable Trust Supplements, to holders in whose names the Definitive Certificates were registered at the close of business on the applicable record date. Such distributions will be made by check mailed to the address of such holder as it appears on the register maintained by the Pass Through Trustee. The final payment on any Certificate, however, will be made only upon presentation and surrender of such Certificate at the office or agency specified in the notice of final distribution to Certificateholders. (Sections 4.02 and 11.01)

Definitive Certificates will be freely transferable and exchangeable at the office of the Pass Through Trustee upon compliance with the requirements set forth in the Basic Agreement and the applicable Trust

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Supplements. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge will be required. (Section 3.04)

Same-Day Settlement and Payment. So long as the Certificates are registered in the name of Cede, as nominee for DTC, all payments made by the Company to the Loan Trustee (as assignee of the Owner Trustee) under any Lease will be in immediately available funds. Such payments, including the final distribution of principal with respect to the Certificates of any Trust, will be passed through to DTC in immediately available funds.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, secondary trading in pass through certificates (such as the Certificates offered hereby) is generally settled in immediately available or same-day funds. Any Certificates registered in the name of Cede, as nominee for DTC, will trade in DTC's Same-Day Funds Settlement System until maturity, and secondary market trading activity in the Certificates will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in same-day funds on trading activity in the Certificates.

PAYMENTS AND DISTRIBUTIONS

Payments of principal, premium, if any, and interest with respect to the Notes held in each Trust will be distributed by the Pass Through Trustee to the Certificateholders of such Trust on the dates specified in the applicable Prospectus Supplement, except in certain cases when some or all of such Notes are in default. See "Events of Default and Certain Rights Upon an Event of Default." Payments of principal of, and interest on, the unpaid principal amount of the Notes held in each Trust will be scheduled to be received by the Pass Through Trustee on the dates specified in the applicable Prospectus Supplement (such scheduled payments of interest and principal on the Notes are herein referred to as "Scheduled Payments," and the dates specified in the applicable Prospectus Supplement are herein referred to as "Regular Distribution Dates"). See "Description of the Notes -- General." Each holder of Certificates of each Trust will be entitled to receive a pro rata share of any distribution in respect of Scheduled Payments of principal and interest made on the Notes held in such Trust.

Payments of principal, premium, if any, and interest received by the Pass Through Trustee on account of the early redemption, if any, of Notes, and payments, other than Scheduled Payments received on a Regular Distribution Date, received by the Pass Through Trustee following a default in respect of Notes ("Special Payments") will be distributed to the Certificateholders of the related Trust on the date determined pursuant to the applicable Prospectus Supplement (a "Special Distribution Date"). The Pass Through Trustee will mail notice to the Certificateholders of record of the applicable Trust not less than 20 days prior to the Special Distribution Date on which any Special Payment is scheduled to be distributed by the Pass Through Trustee stating such anticipated Special Distribution Date. (Section 4.02)

POOL FACTORS

Unless there has been an early redemption, a purchase of Notes by the

related Owner Trustee after an Indenture Default (as defined below) or a default in the payment of principal or interest in respect of one or more issues of Notes held in a Trust, as described in the applicable Prospectus Supplement or below in "Events of Default and Certain Rights Upon an Event of Default," the Pool Factor (as defined below) for each Trust will decline in proportion to the scheduled repayments of principal on the Notes held in such Trust, as described in the applicable Prospectus Supplement. In the event of such redemption, purchase or default, the Pool Factor and the Pool Balance (as defined below) of each Trust so affected will be recomputed after giving effect thereto and notice thereof will be mailed to the Certificateholders of such Trust. Each Trust will have a separate Pool Factor.

The "Pool Balance" for each Trust indicates, as of any date, the aggregate unpaid principal amount of the Notes held in such Trust on such date plus any amounts in respect of principal on such Notes held by the Pass Through Trustee and not yet distributed. The Pool Balance for each Trust as of any Regular Distribution Date

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or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Notes held in such Trust and distribution thereof to be made on that date.

The "Pool Factor" for each Trust as of any Regular Distribution Date or Special Distribution Date is the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance by (ii) the aggregate original principal amount of the Notes held in such Trust. The Pool Factor for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Notes held in such Trust and distribution thereof to be made on that date. The Pool Factor for each Trust will initially (or, if applicable, after the accretion of the original issue discount at which the Certificates of such Trust were issued) be 1.0000000; thereafter, the Pool Factor for each Trust will decline as described above to reflect reductions in the Pool Balance of such Trust. The amount of a Certificateholder's pro rata share of the Pool Balance of a Trust can be determined by multiplying the original denomination of the holders' Certificate of such Trust by the Pool Factor for such Trust as of the applicable Regular Distribution Date or Special Distribution Date. The Pool Factor and the Pool Balance for each Trust will be identified in a statement mailed to Certificateholders of such Trust on each Regular Distribution Date and Special Distribution Date.

REPORTS TO CERTIFICATEHOLDERS

On each Regular Distribution Date and Special Distribution Date, the Pass Through Trustee will include with each distribution of a Scheduled Payment or Special Payment to Certificateholders of the related Trust a statement, giving effect to such distribution to be made on such Regular Distribution Date or Special Distribution Date, setting forth the following information (per \$1,000 aggregate principal amount of Certificates for such Trust, as to (i) and (ii) below):

- (i) the amount of such distribution allocable to principal and the amount allocable to premium, if any;
- (ii) the amount of such distribution allocable to interest; and
- (iii) the Pool Balance and the Pool Factor for such Trust. (Section 4.03(a))

So long as the Certificates are registered in the name of Cede, as nominee for DTC, on the record date prior to each Regular Distribution Date and Special Distribution Date the Pass Through Trustee will request from DTC a Securities Position Listing setting forth the names of all DTC Participants reflected on DTC's books as holding interests in the Certificates on such record date. On each Regular Distribution Date and Special Distribution Date, the Pass Through Trustee will mail to each such DTC Participant the statement described above and will make available additional copies as requested by such DTC Participant for forwarding to Certificate Owners. (Section 3.09)

In addition, after the end of each calendar year the Pass Through Trustee will prepare for each Certificateholder of each Trust at any time during the preceding calendar year a report containing the sum of the amounts determined pursuant to clauses (i) and (ii) above with respect to the Trust for such calendar year or, in the event such person was a Certificateholder during only a portion of such calendar year, for the applicable portion of such calendar year, and such other items as are readily available to the Pass Through Trustee and which a Certificateholder shall reasonably request as necessary for the purpose

of such Certificateholder's preparation of its federal income tax returns. (Section 4.03(b)) Such report and such other items shall be prepared on the basis of information supplied to the Pass Through Trustee by the DTC Participants and shall be delivered by the Pass Through Trustee to such DTC Participants to be available for forwarding by such DTC Participants to Certificate Owners in the manner described above.

At such time, if any, as the Certificates are issued in the form of Definitive Certificates, the Pass Through Trustee will prepare and deliver the information described above to each Certificateholder of record of each Trust as the name and period of beneficial ownership of such Certificateholder appears on the records of the registrar of the Certificates.

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VOTING OF NOTES

The Pass Through Trustee, as holder of the Notes held in each Trust, has the right to vote and give consents and waivers with respect to such Notes under the related Indenture. The Basic Agreement sets forth the circumstances in which the Pass Through Trustee shall direct any action or cast any vote as the holder of the Notes held in the applicable Trust at its own discretion and the circumstances in which the Pass Through Trustee shall seek instructions from the Certificateholders of such Trust. Prior to an Event of Default (as defined below) with respect to any Trust, the principal amount of the Notes held in such Trust directing any action or being voted for or against any proposal shall be in proportion to the principal amount of Certificates held by the Certificateholders of such Trust taking the corresponding positions. (Sections 6.01 and 11.01)

EVENTS OF DEFAULT AND CERTAIN RIGHTS UPON AN EVENT OF DEFAULT

An event of default under the Basic Agreement (an "Event of Default") is defined as the occurrence and continuance of an event of default under one or more of the Indentures (an "Indenture Default"). The Indenture Defaults under an Indenture will be described in the applicable Prospectus Supplement and, with respect to each Leased Property, will include an event of default under the related Lease (a "Lease Event of Default"). Since the Notes issued under an Indenture may be held in more than one Trust, a continuing Indenture Default under such Indenture would result in an Event of Default under each such Trust. However, unless specified in the applicable Prospectus Supplement, there will be no cross-default provisions in the Indentures, and events resulting in an Indenture Default under any particular Indenture will not necessarily result in an Indenture Default occurring under any other Indenture. If an Indenture Default occurs in fewer than all of the Indentures, notwithstanding the treatment of Notes issued under any Indenture under which an Indenture Default has occurred, payments of principal and interest on the Notes issued pursuant to Indentures with respect to which an Indenture Default has not occurred will continue to be distributed to the Certificateholders as originally scheduled.

With respect to each Leased Property, the applicable Owner Trustee and Owner Participant will, under the related Indenture, have the right under certain circumstances to cure Indenture Defaults that result from the occurrence of a Lease Event of Default under the related Lease. If the Owner Trustee or the Owner Participant exercises such cure right, the Indenture Default and, consequently, the Event of Default with respect to the related Trust will be deemed to have been cured.

The Basic Agreement provides that as long as an Indenture Default under any Indenture relating to the Notes held in a Trust shall have occurred and be continuing the Pass Through Trustee of such Trust may, but shall be under no duty to, vote all of the Notes issued under such Indenture in such Trust and, upon the direction of the holders of Certificates evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust, shall vote a corresponding majority of such Notes in favor of directing the Loan Trustee to declare the unpaid principal amount of all Notes issued under such Indenture and any accrued and unpaid interest thereon to be due and payable. The Basic Agreement also provides that if an Indenture Default under such Indenture relating to the Notes held in a Trust shall have occurred and be continuing the Pass Through Trustee of such Trust may, and upon the direction of the holders of Certificates evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust shall, vote all of the Notes issued under such Indenture that are held in such Trust in favor of directing the Loan Trustee as to the time, method and place of conducting any proceeding for any remedy available to the Loan Trustee or of exercising any trust or power conferred on the Loan Trustee under such Indenture. (Sections 6.01 and 6.04)

The ability of the Certificateholders of any Trust to cause the Loan

Trustee with respect to any Notes held in such Trust to accelerate the Notes under the related Indenture or to direct the exercise of remedies by the Loan Trustee under the related Indenture will depend, in part, upon the proportion between the aggregate principal amount of the Notes outstanding under such Indenture and held in such Trust and the aggregate principal amount of all Notes outstanding under such Indenture. Each Trust will hold Notes with different terms from the Notes held in other Trusts and, therefore, the Certificateholders of one Trust may have divergent or conflicting interests from those of the Certificateholders of the other Trusts holding Notes

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outstanding under the same Indenture. In addition, so long as the same institution acts as Pass Through Trustee of each Trust, in the absence of instructions from the Certificateholders of any such Trust, the Pass Through Trustee for such Trust could for the same reason be faced with a potential conflict of interest upon an Indenture Default. In such event, the Pass Through Trustee has indicated that it would resign as trustee of one or all of such Trusts, and a successor trustee would be appointed in accordance with the terms of the Basic Agreement.

As an additional remedy, if an Indenture Default shall have occurred and be continuing, the Basic Agreement provides that the Pass Through Trustee of any Trust holding Notes issued under such Indenture may, but shall be under no duty to, and upon the direction of the holders of Certificates evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust shall, sell for cash to any person all or part of such Notes. (Sections 6.01 and 6.02) Any proceeds received by the Pass Through Trustee upon any such sale of Notes shall be deposited in an account established by the Pass Through Trustee for the benefit of the Certificateholders of such Trust for the deposit of such Special Payments (the "Special Payments Account") and shall be distributed to such Certificateholders on a Special Distribution Date. (Sections 4.01 and 4.02) The market for Notes in default may be very limited, and there can be no assurance that they could be sold for a reasonable price. Furthermore, so long as the same institution acts as Pass Through Trustee of multiple Trusts, it may be faced with a conflict in deciding from which Trust to sell Notes to available buyers. If the Pass Through Trustee sells any Notes with respect to which an Indenture Default exists for less than their outstanding principal amount, the Certificateholders of such Trust will receive a smaller amount of principal distributions than anticipated and will not have any claim for the shortfall against the Company, any Owner Trustee or Owner Participant or the Pass Through Trustee. Furthermore, neither the Pass Through Trustee nor the Certificateholders of such Trust could take any action with respect to any remaining Notes held in such Trust so long as no Indenture Defaults exist with respect thereto.

Any amount, other than Scheduled Payments received on a Regular Distribution Date, distributed to the Pass Through Trustee of any Trust by the Loan Trustee under any Indenture on account of the Notes held in such Trust following an Indenture Default under such Indenture shall be deposited in the Special Payments Account for such Trust and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. In addition, if, following an Indenture Default, the applicable Owner Trustee exercises its option to redeem or purchase the outstanding Notes issued under such Indenture as described in the related Prospectus Supplement, the price paid by such Owner Trustee to the Pass Through Trustee of any Trust for the Notes issued under such Indenture and held in such Trust shall be deposited in the Special Payments Account for such Trust and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Sections 4.01, 4.02 and 6.02)

Any funds representing payments received with respect to any Notes held in a Trust in default, or the proceeds from the sale by the Pass Through Trustee of any such Notes, held by the Pass Through Trustee in the Special Payments Account for such Trust shall, to the extent practicable, be invested and reinvested by the Pass Through Trustee in Permitted Investments (as defined herein) pending the distribution of such funds on a Special Distribution Date. Permitted Investments are defined as obligations of the United States or agencies or instrumentalities thereof the payment of which is backed by the full faith and credit of the United States and which mature in not more than 60 days or such lesser time as is required for the distribution of any such funds on a Special Distribution Date. (Sections 1.01 and 4.04)

The Basic Agreement provides that the Pass Through Trustee of each Trust shall, as promptly as practicable and, in any event, within 90 days, after the occurrence of a default in respect of such Trust, if such default is actually known to a responsible officer of the Pass Through Trustee, give to the Certificateholders of such Trust notice, transmitted by mail, of all uncured or unwaived defaults with respect to such Trust known to it, provided that, except in the case of default in the payment of principal, premium, if any, or interest

on any of the Notes held in such Trust, the Pass Through Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of such Certificateholders. (Section 7.01)

The Basic Agreement contains a provision entitling the Pass Through Trustee of each Trust, subject to the duty of the Pass Through Trustee during a default to act with the required standard of care, to be offered reasonable security or indemnity by the Certificateholders of such Trust before proceeding to exercise any right or power under the Basic Agreement at the request of such Certificateholders. (Section 7.02)

In certain cases, the holders of Certificates of a Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust may on behalf of all Certificateholders of such Trust waive, or instruct the Loan Trustee to waive, any past default or Event of Default with respect to such Trust and thereby annul any direction given by such Certificateholders to the applicable Loan Trustee with respect thereto, except (i) a default in the deposit of any Scheduled Payment or Special Payment or in the distribution thereof, (ii) a default in payment of the principal, premium, if any, or interest with respect to any of the Notes held in such Trust and (iii) a default in respect of any covenant or provision of the Basic Agreement or the related Trust Supplement that cannot be modified or amended without the consent of each Certificateholder of such Trust affected thereby. (Section 6.05) Each Indenture will provide that, with certain exceptions, the holders of a majority in aggregate unpaid principal amount of the Notes issued thereunder may on behalf of all such holders waive any past default or Indenture Default thereunder. In the event of a waiver with respect to a Trust as described above, the principal amount of the Notes issued under the related Indenture held in such Trust shall be counted as waived in the determination of the majority in aggregate unpaid principal amount of Notes required to waive a default or an Indenture Default. Therefore, if the Certificateholders of a Trust or Trusts waive a past default or Event of Default such that the principal amount of the Notes held either individually in such Trust or in the aggregate in such Trusts constitutes the required majority in aggregate unpaid principal amount under the applicable Indenture, such past default or Indenture Default shall be waived.

MERGER, CONSOLIDATION AND TRANSFER OF ASSETS

The Company will be prohibited from consolidating with or merging into any other corporation or transferring substantially all of its assets as an entirety to any other entity unless (i) the surviving successor or transferee entity shall expressly assume all of the obligations of the Company contained in the Basic Agreement and in all Trust Supplements, Indentures and Participation Agreements and, with respect to the Leased Property Notes, Leases and any other operative documents; (ii) immediately after giving effect to such transaction no Indenture Default (with respect to Owned Property Notes) or Lease Event of Default (with respect to Leased Property Notes) shall have occurred and be continuing; and (iii) the Company shall have delivered a certificate and an opinion of counsel indicating that such transaction, in effect, complies with such conditions. (Section 5.02(a))

The Basic Agreement does not and, except as otherwise described in the applicable Prospectus Supplement, the Indentures will not contain any covenants or provisions which may afford the Pass Through Trustee or Certificateholders protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change of control of the Company. No other instrument or agreement currently evidencing other indebtedness of the Company contains covenants or provisions affording holders of such indebtedness protection in the event of a change in control of the Company.

MODIFICATION OF THE BASIC AGREEMENT

The Basic Agreement contains provisions permitting the Company and the Pass Through Trustee of each Trust to enter into a supplemental trust agreement, without the consent of any of the Certificateholders of such Trust, (i) to provide for the formation of such Trust and the issuance of a series of Certificates, (ii) to evidence the succession of another corporation to the Company and the assumption by such corporation of the Company's obligations under the Basic Agreement and the applicable Trust Supplement, (iii) to add to the covenants of the Company for the benefit of such Certificateholders or to surrender any right or power in the Basic Agreement or the applicable Trust Supplement conferred upon the Company, (iv) to correct or supplement any defective or inconsistent provision of the Basic Agreement or the applicable Trust Supplement or to make any other provisions with respect to matters or questions arising thereunder, provided such action

shall not adversely affect the interests of such Certificateholders, or to cure any ambiguity or correct any mistake, (v) to modify, eliminate or add to the provisions of the Basic Agreement to the extent as shall be necessary to continue the qualification of the Basic Agreement (including any supplemental agreement) under the Trust Indenture Act and to add to the Basic Agreement such other provisions as may be expressly permitted by the Trust Indenture Act, (vi) to provide for a successor Pass Through Trustee or to add to or change any provision of the Basic Agreement or the applicable Trust Supplement as shall be necessary to facilitate the administration of the Trusts thereunder by more than one Trustee and (vii) to make any other amendments or modifications to the Basic Agreement, provided such amendments or modifications shall only apply to Certificates issued thereafter. (Section 9.01)

The Basic Agreement also contains provisions permitting the Company and the Pass Through Trustee of each Trust, with the consent of the holders of Certificates of such Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust and, with respect to any Leased Property, the consent of the applicable Owner Trustee (such consent not to be reasonably withheld), to execute supplemental trust agreements adding any provisions to or changing or eliminating any of the provisions of the Basic Agreement, to the extent relating to such Trust, and the applicable Trust Supplement, or modifying the rights of the Certificateholders, except that no such supplemental trust agreement may, without the consent of the holder of each Certificate so affected thereby, (a) reduce in any manner the amount of, or delay the timing of, receipt by the Trustee of payments on the Notes held in such Trust or distributions in respect of any Certificate related to such Trust, or change the date or place of any payment in respect of any Certificate, or make distributions payable in coin or currency other than that provided for in such Certificates, or impair the right of any Certificateholder of such Trust to institute suit for the enforcement of any such payment when due, (b) permit the disposition of any Note held in such Trust, except as provided in the Basic Agreement or the applicable Trust Supplement, or otherwise deprive any Certificateholder of the benefit of the ownership of the applicable Notes, (c) reduce the percentage of the aggregate fractional undivided interests of the Trust provided for in the Basic Agreement or the applicable Trust Supplement, the consent of the holders of which is required for any such supplemental trust agreement or for any waiver provided for in the Basic Agreement or such Trust Supplement or (d) modify any of the provisions relating to the rights of the Certificateholders in respect of the waiver of events of default or receipt of payment. (Section 9.02)

MODIFICATION OF INDENTURE AND RELATED AGREEMENTS

In the event that the Pass Through Trustee, as the holder of any Notes held in a Trust, receives a request for its consent to any amendment, modification or waiver under the Indenture or other documents relating to such Notes (including any Lease), the Pass Through Trustee shall send a notice of such proposed amendment, modification or waiver to each Certificateholder of record of such Trust as of the date of such notice. The Pass Through Trustee shall request instructions from the Certificateholders of such Trust as to whether or not to consent to such amendment, modification or waiver. The Pass Through Trustee shall vote or consent with respect to such Notes in such Trust in the same proportions as the Certificates of such Trust were actually voted by the holders thereof by a certain date. Notwithstanding the foregoing, if an Event of Default in respect of such Trust shall have occurred and be continuing, the Pass Through Trustee may, in the absence of instructions from Certificateholders holding a majority in interest of such Trust, in its own discretion consent to such amendment, modification or waiver and may so notify the relevant Loan Trustee. (Section 10.01)

TERMINATION OF THE TRUSTS

Each Trust will terminate upon the distribution to Certificateholders of such Trust of all amounts required to be distributed to them pursuant to the Basic Agreement and the applicable Trust Supplement and the disposition of all property held in such Trust. The Pass Through Trustee will send to each Certificateholder of record of such Trust notice of the termination of such Trust, the amount of the proposed final payment and the proposed date for the distribution of such final payment for such Trust. The final distribution to any

Certificateholder of such Trust will be made only upon surrender of such Certificateholder's Certificates at the office or agency of the Pass Through

Trustee specified in such notice of termination. (Section 11.01)

DELAYED PURCHASE

In the event that, on the delivery date of any Certificates, all of the proceeds from the sale of such Certificates are not used to purchase the Notes contemplated to be held in the related Trust, such Notes may be purchased by the Pass Through Trustee at any time on or prior to the date specified in the applicable Prospectus Supplement. In such event, the Pass Through Trustee will hold the proceeds from the sale of such Certificates not used to purchase Notes in an escrow account pending the purchase of the Notes not so purchased. Such proceeds will be invested at the direction and risk of, and for the account of, the Company in certain specified investments, which may include: (i) obligations of, or guaranteed by, the United States Government or agencies thereof, (ii) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated at least P-2 or its equivalent by Moody's Investors Service, Inc. or at least A-2 or its equivalent by Standard & Poor's Corporation, (iii) certificates of deposit issued by commercial banks organized under the laws of the United States or of any political subdivision thereof having a combined capital and surplus in excess of \$500,000,000 which banks or their holding companies have a rating of A or its equivalent by Moody's Investors Service, Inc. or Standard & Poor's Corporation; provided, however, that the aggregate amount at any one time so invested in certificates of deposit issued by any one bank shall not exceed 5% of such bank's capital and surplus, (iv) U.S. dollar denominated offshore certificates of deposit issued by, or offshore time deposits with, any commercial bank described in (iii) or any subsidiary thereof and (v) repurchase agreements with any financial institution having combined capital and surplus of at least \$500,000,000 with any of the obligations described in (i) through (iv) as collateral; provided that if all of the above investments are unavailable, the entire amounts to be invested may be used to purchase federal funds from an entity described in clause (iii) above; and provided further that no investment shall be eligible as a "specified investment" unless the final maturity date or date of return of such investment is on or before (x) the scheduled date for the purchase of such Notes, or (y) if no date has been scheduled for the purchase of such Notes, the next business day, or (z) if the Company has given notice that such Notes will not be purchased, the next applicable Special Distribution Date. Earnings on such investments in the escrow account for each Trust will be paid to the Company periodically, and the Company will be responsible for any losses. (Section 2.02(b))

On the next Regular Distribution Date specified in the applicable Prospectus Supplement, the Company will pay to the Pass Through Trustee an amount equal to the interest that would have accrued on any Notes purchased after the date of the issuance of such Certificates from the date of the issuance of such Certificates to, but excluding, the date of the purchase of such Notes by the Pass Through Trustee. (Section 2.02(b))

SPECIAL DISTRIBUTION UPON UNAVAILABILITY OF PROPERTY

To the extent, due to a casualty to, or other event causing the unavailability of, a Property, that the full amount of the proceeds from the sale of any Certificates held in the escrow account referred to above is not used to purchase Notes on or prior to the date specified in the applicable Prospectus Supplement, an amount equal to the unused proceeds will be distributed by the Pass Through Trustee of the related Trust to the Certificateholders of record of such Trust on a pro rata basis upon not less than 20 days' prior notice to them as a Special Distribution Date together with interest thereon at a rate equal to the rate applicable to such Certificates, but without premium, and the Company will pay to the Pass Through Trustee on such date an amount equal to such interest. (Section 2.02(b))

THE PASS THROUGH TRUSTEE

Wilmington Trust Company will be the Pass Through Trustee for each series of Certificates and will be the Loan Trustee for each of the Indentures under which the Notes are issued.

With certain exceptions, the Pass Through Trustee makes no representations as to the validity or sufficiency of the Basic Agreement, the Trust Supplements, the Certificates, the Notes, the Indentures, the

Leases or other related documents. The Pass Through Trustee shall not be liable, with respect to any series of Certificates, for any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in interest of outstanding Certificates of such series issued under the Basic Agreement. Subject to such provisions, such Pass Through Trustee shall

be under no obligation to exercise any of its rights or powers under the Basic Agreement at the request of any holders of Certificates issued thereunder unless they shall have offered to the Pass Through Trustee indemnity satisfactory to it. The Basic Agreement provides that the Pass Through Trustee in its individual or any other capacity may acquire and hold Certificates issued thereunder and, subject to certain conditions, may otherwise deal with the Company and any Owner Trustee with the same rights it would have if it were not the Pass Through Trustee. (Sections 7.02, 7.03 and 7.04)

The Pass Through Trustee may resign with respect to any or all of the Trusts at any time, in which event the Company will be obligated to appoint a successor trustee for such Trust or Trusts. If the Pass Through Trustee ceases to be eligible to continue as Pass Through Trustee with respect to a Trust or becomes incapable of acting as Pass Through Trustee or becomes insolvent, the Company may remove such Pass Through Trustee, or any holder of the Certificates of such Trust for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Pass Through Trustee and the appointment of a successor trustee. Any resignation or removal of the Pass Through Trustee with respect to a Trust and appointment of a successor trustee for such Trust does not become effective until acceptance of the appointment by the successor trustee. (Section 7.08) Pursuant to such resignation and successor trustee provisions, it is possible that a different trustee could be appointed to act as the successor trustee with respect to each Trust. All references in this Prospectus to the Pass Through Trustee should be read to take into account the possibility that the Trusts could have different successor trustees in the event of such a resignation or removal.

The Basic Agreement provides that the Company will pay the Pass Through Trustee's fees and expenses. (Section 7.06)

DESCRIPTION OF THE NOTES

The statements made under this caption are summaries and reference is made to the entire Prospectus and the detailed information appearing in the applicable Prospectus Supplement. Such summaries relate to the Notes and Indenture relating to each Property in respect of which such Notes are to be issued except to the extent, if any, described in the applicable Prospectus Supplement. Where no distinction is made under this caption between the Leased Property Notes and the Owned Property Notes or between their respective Indentures, such statements refer to any Notes and any Indenture.

GENERAL

All Notes issued under the same Indenture will relate to a single Property. The Notes with respect to each Property will be issued under a separate Indenture either (a) between the related Owner Trustee of a trust for the benefit of the Owner Participant who is the beneficial owner of such Property and the related Loan Trustee or (b) between the Company and the related Loan Trustee.

With respect to each Leased Property, the related Owner Trustee has acquired or will acquire such Leased Property from the Company, has granted or will grant a mortgage in the properties comprising such Leased Property to the related Loan Trustee as security for the payments of the related Leased Property Notes, and has leased or will lease such Leased Property to the Company pursuant to the related Lease which has been or will be assigned to the related Loan Trustee. Pursuant to the Lease related to each Leased Property, the Company will be obligated to make or cause to be made rental and other payments to the related Loan Trustee on behalf of the related Owner Trustee in amounts that will be sufficient to make payments of the principal, interest and premium, if any, required to be made in respect of such Leased Property Notes when and as due and payable.

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The rental obligations of the Company under each Lease and the obligations of the Company under each Owned Property Indenture and under the Owned Property Notes will be the general obligations of the Company. Except in certain circumstances involving the Company's purchase of Leased Property and the assumption of the Leased Property Notes related thereto, the Leased Property Notes are not direct obligations of or guaranteed by the Company.

PRINCIPAL AND INTEREST PAYMENTS

Interest paid on the Notes held in each Trust will be passed through to the Certificateholders of such Trust on the dates and at the rate per annum set forth in the applicable Prospectus Supplement until the final distribution for such Trust. Principal paid on the Notes held in each Trust will be passed

through to the Certificateholders of such Trust in scheduled amounts on the dates set forth in the applicable Prospectus Supplement until the final distribution date for such Trust. See "Description of the Certificates -- General."

If any date scheduled for any payment of principal, premium, if any, or interest with respect to the Notes is not a business day, such payment will be made on the next succeeding business day without any additional interest.

SECURITY

The Leased Property Notes will be secured by (i) an assignment by the related Owner Trustee to the related Loan Trustee of such Owner Trustee's rights (except for certain rights, including those described below) under the Lease with respect to each related Leased Property, including the right to receive payments of rent thereunder and (ii) a mortgage granted to such Loan Trustee of each such Leased Property, subject to the rights of the Company under each related Lease. Under the terms of each Lease, the Company's obligations in respect of the related Leased Property will be those of a lessee under a "net lease." Accordingly, the Company will be obligated, among other things and at its expense, to pay all costs and expenses of operating and maintaining the Leased Properties.

The Owned Property Notes will be secured by a mortgage granted to the related Loan Trustee of certain of the Company's rights with respect to the related Owned Properties. Under the terms of each Owned Property Indenture, the Company will be obligated, among other things and at its expense, to pay all costs and expenses of operating and maintaining the related Owned Property.

The Notes are not cross-collateralized and consequently the Notes issued in respect of any one Property will not be secured by any other Property or, in the case of Leased Property Notes, the Lease or Leases related thereto. Unless and until an Indenture Default with respect to a Leased Property has occurred and is continuing, the related Loan Trustee may not exercise any of the rights of the related Owner Trustee under the related Lease. With respect to each Leased Property, the assignment by the related Owner Trustee to the related Loan Trustee of its rights under the related Lease will exclude, among other things, rights of such Owner Trustee and the related Owner Participant relating to indemnification by the Company for certain matters, insurance proceeds payable to such Owner Trustee in its individual capacity and to such Owner Participant under liability insurance maintained by the Company pursuant to such Lease or by such Owner Trustee or such Owner Participant, insurance proceeds payable to such Owner Trustee in its individual capacity or to such Owner Participant under certain casualty insurance maintained by such Owner Trustee or such Owner Participant pursuant to such Lease and any rights of such Owner Participant or such Owner Trustee to enforce payment of the foregoing amounts and their respective rights to the proceeds of the foregoing.

The Company will, at its expense, maintain or cause to be maintained insurance covering each Property with coverage limits and on terms and conditions as are specified in the applicable Prospectus Supplement.

Funds, if any, held from time to time by the Loan Trustee with respect to any Property, including funds held as the result of an event of loss to such Property or, with respect to any Leased Property, termination of the Lease related thereto, will be invested and reinvested by such Loan Trustee. Such investment and reinvestment will be at the direction of the Company (except, with respect to a Leased Property, in the case of

a Lease Event of Default under the related Lease or, with respect to an Owned Property, in the case of an Indenture Default under the related Indenture) in certain investments described in the related Indenture. The net amount of any loss resulting from any such investments will be paid by the Company.

CONSEQUENCES OF THE COMPANY'S BANKRUPTCY

If the Company were to become a debtor in a liquidation or reorganization case under Title 11 of the United States Code (the "Bankruptcy Code"), the Company or its bankruptcy trustee could seek to reject any or all outstanding Leases. Rejection of any Lease would constitute a breach of such Lease and, as provided in applicable non-bankruptcy law, deprive the Company of the use of the related Leased Property. If any Lease were rejected, rental payments thereunder would terminate, thereby leaving the related Owner Trustee or Loan Trustee without regular rent payments and with a claim for damages to pay amounts due under the Leased Property Notes issued in respect of the related Leased Property. There can be no assurance that any such claim for damages would, if the bankruptcy court treated such Lease as a true lease and authorized its

rejection, be sufficient to provide for the repayment of the Leased Property Notes issued under the Indenture related to such Lease. Under section 502(b)(6) of the Bankruptcy Code, a claim by a lessor for damages resulting from the rejection by a debtor of a lease of real property is limited to an amount equal to the rent reserved under the lease, without acceleration, for the greater of one year or 15 percent (but not more than three years) of the remaining term of the lease, plus rent already due but unpaid. Regardless of any limitation of damages pursuant to section 506(b)(6) of the Bankruptcy Code, the related Loan Trustee could also realize upon its lien on and security interest in the related Leased Property, which would not be affected by such rejection, to recover any additional unpaid amounts on the Leased Property Notes.

PAYMENTS AND LIMITATION OF LIABILITY

Each Leased Property will be leased separately by the related Owner Trustee to the Company pursuant to the related Lease for a term commencing on the delivery date thereof to such Owner Trustee and expiring on a date not earlier than the latest maturity date of the related Leased Property Notes, unless previously terminated as permitted by the terms of the related Lease. The basic rent and other payments under each such Lease will be payable by the Company in accordance with the terms specified in the applicable Prospectus Supplement, and will be assigned by the related Owner Trustee under the related Indenture to provide the funds necessary to pay principal of, premium, if any, and interest due from such Owner Trustee on the Leased Property Notes issued under such Indenture. In certain cases, the basic rent payments under a Lease may be adjusted, but each Lease will provide that under no circumstances will rent payments by the Company with respect to any Leased Property be less than the scheduled payments on the related Leased Property Notes. The balance of any basic rent payment under any Lease, after payment of amounts due on the Leased Property Notes issued under the Indenture corresponding to such Lease, will be paid over to the applicable Owner Participant. The Company's obligation to pay rent and to cause other payments to be made under each Lease will be general obligations of the Company.

With respect to the Leased Property Notes, except in certain circumstances involving the Company's purchase of a Leased Property and the assumption of the Leased Property Notes related thereto, the Leased Property Notes will not be obligations of, or guaranteed by, the Company. With respect to the Leased Property Notes, none of the Owner Trustees, the Owner Participants or the Loan Trustees shall be personally liable to any holder of such Leased Property Notes for amounts payable under such Leased Property Notes, or, except as provided in the Indentures relating thereto in the case of the Owner Trustees and the Loan Trustees, for any liability under such Indentures. Except in the circumstances referred to above, all amounts payable under any Leased Property Notes (other than payments made in connection with an optional redemption or purchase by the related Owner Trustee or the related Owner Participant) will be made only from the assets subject to the lien of the related Indenture with respect to such Leased Property or the income and proceeds received by the related Loan Trustee therefrom (including rent payable by the Company under the related Lease).

With respect to the Leased Property Notes, except as otherwise provided in the related Indentures, no Owner Trustee shall be personally liable for any amount payable or for any statement, representation,

warranty, agreement or obligation under such Indentures or under such Leased Property Notes except for its own willful misconduct or gross negligence. None of the Owner Participants shall have any duty or responsibility under the Leased Property Indentures or Leased Property Notes to the related Loan Trustee or to any holder of any such Leased Property Note.

The Company's obligations under each Owned Property Indenture and under the Owned Property Notes will be general obligations of the Company.

DEFEASANCE OF THE INDENTURES AND THE NOTES IN CERTAIN CIRCUMSTANCES

Unless otherwise specified in the applicable Prospectus Supplement, the applicable Indenture provides that the obligations of the related Loan Trustee and, with respect to any Leased Property Notes, the related Owner Trustee or, with respect to any Owned Property Notes, the Company under the applicable Indenture shall be deemed to have been discharged and paid in full (except for certain obligations, including the obligations to register the transfer or exchange of Notes, to replace stolen, lost, destroyed or mutilated Notes and to maintain paying agencies and hold money for payment in trust) on the 91st day after the date of irrevocable deposit with the related Loan Trustee of money or certain obligations of the United States or any agency or instrumentality thereof the payment of which is backed by the full faith and credit of the United States which, through the payment of principal and interest in respect

thereof in accordance with their terms, will provide money in an aggregate amount sufficient to pay when due (including as a consequence of redemption in respect of which notice is given on or prior to the date of such deposit) principal of, premium, if any, and interest on all Notes issued thereunder in accordance with the terms of such Indenture. Such discharge may occur only if, among other things, there has been published by the Internal Revenue Service a ruling to the effect that holders of such Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred.

Upon such defeasance, or upon payment in full of the principal of, premium, if any, and interest on all Notes issued under any Indenture on the maturity date therefor or deposit with the applicable Loan Trustee of money sufficient therefor no earlier than one year prior to the date of such maturity, the holders of such Notes will have no beneficial interest in or other rights with respect to the related Property or other assets subject to the lien of such Indenture and such lien shall terminate.

ASSUMPTION OF OBLIGATIONS BY THE COMPANY

Unless otherwise specified in the applicable Prospectus Supplement with respect to any Leased Property, upon the exercise by the Company of any purchase options it may have under the related Lease prior to the end of the term of such Lease, the Company may assume on a full recourse basis all of the obligations of the Owner Trustee (other than its obligations in its individual capacity) under the Indenture with respect to such Leased Property, including the obligations to make payments in respect of the related Leased Property Notes. In such event, certain relevant provisions of the related Lease, including (among others) provisions relating to maintenance, possession and use of such Leased Property, liens, insurance and events of default will be incorporated into such Indenture, and the Leased Property Notes issued pursuant thereto will not be redeemed and will continue to be secured by such Leased Property.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of the anticipated material United States federal income tax consequences of the purchase, ownership and disposition of the Certificates and should be read in conjunction with any additional discussion of federal income tax consequences included in the applicable Prospectus Supplement. The discussion is based on laws, regulations, rulings and decisions, all as in effect on the date of this Prospectus and all of which are subject to change or different interpretations, which may be retroactive. The discussion below does not purport to address all of the federal income tax consequences that may be applicable to all categories of investors, some of which (for example, banks, tax exempt organizations,

insurance companies and foreign investors) may be subject to special rules. The statements of law and legal conclusions set forth herein have been confirmed by the opinion of Kelley Drye & Warren, special counsel to the Company, as qualified therein and herein. Certain of the anticipated federal income tax consequences discussed herein are based on proposed Treasury Regulations, which are subject to change and are not binding authority until adopted as final or temporary regulations. As a result, definitive guidance cannot be provided regarding all of the federal income tax consequences to Certificate Owners or to the Trusts. In addition, there can be no assurance that the Internal Revenue Service ("IRS") or the courts would not take positions different from those discussed herein which would be materially adverse to investors. Investors should consult their own tax advisors in determining the federal, state, local, foreign and any other tax consequences to them of the purchase, ownership and disposition of the Certificates, including the advisability of making any election discussed below. The Trusts are not indemnified for any federal income taxes that may be imposed upon them, and the imposition of any such taxes could result in a reduction in the amounts available for distribution to the Certificate Owners of the affected Trust.

GENERAL

Based upon an interpretation of analogous authorities under currently applicable law, the Trusts should not be classified as associations taxable as corporations, but, rather, should be classified as grantor trusts under Subpart E, Part I of Subchapter J of the Internal Revenue Code of 1986, as amended (the "Code"), and each Certificate Owner of each Trust should be treated as the owner of a pro rata undivided interest in each of the Notes or any other property held by such Trust.

Section 7701(i) of the Code provides that "taxable mortgage pools" will be taxed as corporations notwithstanding other provisions of the Code. An entity will be treated as a taxable mortgage pool only if (i) substantially all of the entity's assets consist of debt obligations more than 50% of which consist of real estate mortgages; (ii) the entity is the obligor under debt obligations with two or more maturities; and (iii) under the terms of the debt obligations (or underlying arrangement) under which the entity is the obligor, payments on the debt obligations bear a relationship to payments on the debt obligations held by the entity. Proposed Treasury Regulations under Code section 7701(i) provide that for purposes of applying the taxable mortgage pool rules, ownership interests in entities that are classified as trusts under the "investment trust" rules of Treasury Regulation section 301.7701-4(c) will not be treated as debt obligations of such trusts. The Trusts herein are expected to qualify as such trusts, and the Proposed Regulations would confirm that the taxable mortgage pool rules do not apply to the Trusts.

Each Certificate Owner should be required to report on its federal income tax return its pro rata share of the entire income from the Notes or any other property held by the related Trust, in accordance with such Certificate Owner's method of accounting. A Certificate Owner using the cash method of accounting must take into account its pro rata share of income as and when received (or deemed received) by the Pass Through Trustee. A Certificate Owner using an accrual method of accounting must take into account its pro rata share of income as it accrues or is received by the Pass Through Trustee, whichever is earlier.

A purchaser of a Certificate should be treated as purchasing an interest in each Note and any other property in the related Trust at a price determined by allocating the purchase price paid for the Certificate among such Notes and other property in proportion to their fair market values at the time of purchase of the Certificate. Unless otherwise indicated in a Prospectus Supplement, it is believed that when all the Notes have been acquired by the related Trust the purchase price paid for a Certificate by an original purchaser of a Certificate should be allocated among the Notes in the related Trust in proportion to their respective principal amounts.

ORIGINAL ISSUE DISCOUNT

The Notes may be issued with original issue discount ("OID"), which may require Certificate Owners to include such OID in gross income in advance of the receipt of the cash attributable to such income. The Prospectus Supplement will state whether any Notes to be held by the related Trust will be issued with OID. In general, a Note will be considered to be issued with OID (subject to a de minimis exception) to the extent

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the "stated redemption price at maturity" of such Note is greater than its "issue price." The stated redemption price at maturity of a debt instrument generally will equal all payments due under the debt instrument at any time, other than payments of "qualified stated interest," which is defined as interest payments calculated on the basis of a single fixed rate of interest that is actually and unconditionally payable at fixed, periodic intervals of one year or less over the entire term of the debt instrument. The issue price of the Notes will equal the price paid therefor by the related Trusts, which will equal the offering price at which the Certificates are sold to the public.

The amount of OID to be included in income in any tax period with respect to a Note will be determined using a constant yield to maturity method. Any amounts included in income as OID will increase a Certificate Owner's adjusted tax basis with regard to its interest in the Note.

Some Notes may be issued with maturity dates of not more than one year from the date of issue. The OID provisions of the Code do not generally apply to such short-term obligations; however, the Code provisions applicable to such short-term obligations may require taxpayers to include amounts in income prior to the receipt of cash. In general, section 1281 of the Code requires an accrual method taxpayer to include OID in income on a straight-line basis over the term of the obligation (or, if the holder so elects, on a constant interest basis). A Certificate Owner may elect to include in income "acquisition discount" rather than OID with respect to its interest in a Note constituting a short-term obligation. The amount of a Note's acquisition discount will equal the excess of its stated redemption price at maturity over the holder's basis in the Note, and would be included in income pursuant to the accrual rules discussed above. Once made, an election to utilize acquisition discount rather than OID would apply to all non-governmental debt obligations with a term of one year or less acquired by such Certificate Owner on or after the first day of the first taxable year to which the election applies, unless the IRS consents to a revocation of the election.

The above discussion regarding OID is based on proposed Treasury Regulations promulgated under the OID provisions of the Code (the "Proposed OID Regulations"), as revised. Certificate Owners should be aware, however, that the IRS may further revise the Proposed OID Regulations, and that any such further revision could prescribe different tax treatment from that described herein.

Subsequent purchasers of Certificates will be required to include OID in income, but the amount to be reported will depend on the amount paid for each such Certificate by the subsequent purchaser, as allocated to the Notes held by the related Trust. Section 1272(a)(7) of the Code provides that the amount of OID required to be reported on an interest in a Note may be reduced if the subsequent purchaser pays an "acquisition premium" for such interest.

SALES OF CERTIFICATES

A Certificate Owner that sells a Certificate should thus recognize gain or loss equal to the difference between its adjusted tax basis in each asset held by the related Trust and the amount realized on the sale (except to the extent attributable to accrued interest, which should be taxable as ordinary income). The amount realized on the sale of a Certificate should be apportioned among the assets of the related Trust according to their relative fair market values. Subject to the market discount rules discussed below, any such gain or loss will be capital gain or loss if the asset was held as a capital asset and will be long-term capital gain or loss if the asset was held for more than one year. See " -- Market Discount." Net capital gain (the excess of net long-term capital gain over net short-term capital loss) of individuals is, under certain circumstances, taxed at lower rates than items of ordinary income.

MARKET DISCOUNT

Purchasers of Certificates should be aware that the resale of such Certificates may be affected by the market discount provisions of the Code. In general, if any Certificate Owner's interest in a Note held by the related Trust is acquired at a "market discount" (i.e., subject to a de minimis exception, a price below the Note's stated redemption price at maturity or, in the case of an interest in a Note with OID, the issue price plus the original issue discount includible in the income of all prior holders of such Certificate with respect to

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that Note), the Certificate Owner should be subject to the market discount rules of sections 1276 to 1278 of the Code with regard to its interest in the Note.

In the case of a sale or certain other dispositions of indebtedness subject to the market discount rules, section 1276 of the Code requires that gain, if any, from such sale or disposition be treated as ordinary income to the extent such gain represents market discount that has accrued during the period in which the indebtedness was held.

In the case of a partial principal payment on indebtedness subject to the market discount rules, section 1276 of the Code requires that such payment be included in gross income as ordinary income to the extent such payment does not exceed the market discount that has accrued during the period such indebtedness was held. The amount of any accrued market discount later required to be included in income upon a disposition, or subsequent partial principal payment, will be reduced by the amount of accrued market discount previously included in income.

Generally, market discount accrues under a straight line method, or, at the election of the taxpayer, a constant interest method. However, in the case of installment obligations the manner in which market discount is to be accrued has been left to Treasury Regulations not yet issued (unless a Prospectus Supplement indicates otherwise). Until such Treasury Regulations are issued, the explanatory Conference Committee Report to the Tax Reform Act of 1986 (the "Conference Report") indicates that holders of installment obligations with market discount may elect to accrue market discount either on the basis of a constant interest rate or as follows: the amount of market discount that is deemed to accrue is the amount of market discount that bears the same ratio to the total amount of remaining market discount that the amount of stated interest paid in the accrual period (or, if such obligation has OID, the OID for the period) bears to the total amount of stated interest remaining to be paid on the installment obligation as of the beginning of such period (or, if such obligation has OID, the total remaining OID at the beginning of the period).

Under section 1277 of the Code, if in any taxable year interest paid or accrued on indebtedness incurred or continued to purchase or carry indebtedness subject to the market discount rules exceeds the interest currently includible in income with respect to such indebtedness, deduction of the excess interest

must be deferred to the extent of the market discount allocable to the taxable year. The deferred portion of any interest expense will generally be deductible when such market discount is included in income upon the sale or other disposition (including repayment) of the indebtedness.

Section 1278 of the Code allows a taxpayer to make an election to include market discount in gross income currently, through the use of either the straight-line inclusion method or the constant interest method. If such election is made, the rules of sections 1276 and 1277 (described above) will not apply to the taxpayer. Once made, such an election applies to all market discount debt instruments acquired by the taxpayer during or after the taxable year for which the election is made, and may not be revoked without the consent of the IRS. If an election is made to include market discount in income currently, the taxpayer's basis in such debt instrument is increased by the market discount thereon as it is includible in income.

PREMIUM

A Certificate Owner should generally be considered to have acquired an interest in a Note at a premium to the extent the purchaser's tax basis allocable to such interest exceeds the remaining principal amount of the Note allocable to such interest. In such event, a Certificate Owner that holds a Certificate as a capital asset may elect under section 171 of the Code to amortize that premium as an offset to interest income with corresponding reductions in the Certificate Owner's tax basis in that Note. Generally, such amortization is on a constant yield basis. However, in the case of installment obligations, the Conference Report indicates a Congressional intent that amortization will be in accordance with the same rules that will apply to the accrual of market discount on installment obligations. See " -- Market Discount."

It is not clear under the Code how amortizable bond premium should be treated when there is the possibility of early redemption or when the amount of the redemption premium is unknown. In addition, it is not clear how any unamortized bond premium remaining at the time of an early call should be treated under

the Code. Because of the lack of certainty in this area, Certificate Owners should consult their own tax advisors as to the amount and treatment of any amortizable bond premium. If a Certificate Owner acquires a Certificate at a premium and elects to amortize such premium, and the IRS successfully challenges the amount of amortization claimed for a particular period, then such Certificate Owner would not be able to offset interest income on the Certificate for such period with the amount of such disallowed amortization.

INFORMATION REPORTING

Information reports will be made by the Pass Through Trustee to the IRS, and to Certificate Owners that are not exempt from the reporting requirements, annually or as otherwise required with respect to interest paid (or OID accrued, if any) on the Certificates.

BACKUP WITHHOLDING

Payments made on the Certificates, and proceeds from the sale of the Certificates to or through certain brokers, may be subject to a "backup" withholding tax of 31% unless the Certificate Owner complies with certain reporting procedures or is exempt from such requirements under section 3406 of the Code. Any such withheld amounts are allowed as a credit against the Certificate Owner's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a Certificate Owner who is required to supply information but who does not do so in the proper manner.

THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR CERTIFICATE OWNER IN LIGHT OF ITS CIRCUMSTANCES AND INCOME TAX SITUATION. EACH CERTIFICATE OWNER SHOULD CONSULT ITS TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO SUCH CERTIFICATE OWNER OF THE OWNERSHIP AND DISPOSITION OF THE CERTIFICATES, INCLUDING THE PROPRIETY OF MAKING ANY ELECTION DESCRIBED ABOVE AND THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

CERTAIN DELAWARE TAXES

The Pass Through Trustee is a Delaware banking corporation with its principal trust office in Wilmington, Delaware. Richards Layton & Finger, counsel to the Pass Through Trustee, has advised the Company that, in its opinion, under currently applicable Delaware law, assuming that the Trusts will

not be taxable as corporations, but, rather, will be classified as grantor trusts under subpart E, Part I of Subchapter J of the Code, (i) the Trusts will not be subject to any tax (including without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Delaware or any political subdivision thereof and (ii) Certificate Owners that are not residents of or otherwise subject to tax in the State of Delaware will not be subject to any tax (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Delaware or any political subdivision thereof as a result of purchasing, holding (including receiving payments with respect to) or selling a Certificate. Neither the Trusts nor the Certificate Owners will be indemnified for any state or local taxes imposed on them, and the imposition of any such taxes on a Trust could result in a reduction in the amounts available for distribution to the Certificate Owners of such Trust. In general, should a Certificate Owner or a Trust be subject to any state or local tax which would not be imposed if the Pass Through Trustee were located in a different jurisdiction in the United States, the Pass Through Trustee will resign and a new Pass Through Trustee in such other jurisdiction will be appointed.

ERISA CONSIDERATIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the Certificates may, subject to certain legal restrictions, be purchased and held by an employee benefit plan (a "Plan") subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or an individual retirement account or an employee benefit plan subject to section 4975 of the Code. A fiduciary of a Plan must determine

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that the purchase and holding of a Certificate is consistent with its fiduciary duties under ERISA and does not result in a non-exempt prohibited transaction as defined in section 406 of ERISA or section 4975 of the Code. Employee benefit plans which are governmental plans (as defined in section 3(32) of ERISA) and certain church plans (as defined in section 3(33) of ERISA) are not subject to Title I of ERISA or section 4975 of the Code. The Certificates may, subject to certain legal restrictions, be purchased and held by such plans.

PLAN OF DISTRIBUTION

The Certificates being offered hereby may be sold in any one or more of the following ways from time to time by Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and Salomon Brothers Inc (the "Distributors") acting as: (i) agent or (ii) underwriters. In addition, the Certificates may be sold directly to purchasers.

The distribution of the Certificates may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

In the event the Distributors act as agent, any commission payable by the Company to the Distributors will be set forth, in the applicable Prospectus Supplement. Unless otherwise indicated in such Prospectus Supplement, any such Distributor will be acting on a best efforts basis for the period of its appointment. Any such Distributor may be deemed to be an underwriter, as that term is defined in the Securities Act, of the Certificates so offered and sold.

If the Certificates are sold by means of an underwritten offering, the Company will execute an underwriting agreement with the Distributors, and the terms of the transaction, including commissions, discounts and any other compensation of the Distributors and dealers, if any, will be set forth in the Prospectus Supplement which will be used by the Distributors to make offers and sales of the Certificates in respect of which this Prospectus is delivered to the public. If Distributors are utilized in the sale of the Certificates in respect of which this Prospectus is delivered, the Certificates will be acquired by the Distributors for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the Distributors at the time of sale. The Certificates may be offered to the public either through underwriting syndicates represented by the Distributors or directly by the Distributors. If the Distributors are utilized in the sale of the Certificates, unless otherwise indicated in the Prospectus Supplement, the underwriting agreement will provide that the obligations of the Distributors are subject to certain conditions precedent and that the Distributors with respect to a sale of the Certificates will be obligated to purchase all such Certificates if any are purchased. The Company does not intend to apply for listing of the Certificates

on a national securities exchange. If the Certificates are sold by means of an underwritten offering, the Distributors may make a market in the Certificates as permitted by applicable laws and regulations. No Distributor would be obligated, however, to make a market in the Certificates and any such market making could be discontinued at any time at the sole discretion of such Distributor. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Certificates.

If a dealer is utilized in the sale of the Certificates in respect of which this Prospectus is delivered, such Certificates will be sold to the dealer as principal. The dealer may then resell such Certificates to the public at varying prices to be determined by such dealer at the time of resale. Any such dealer may be deemed to be an underwriter, as such term is defined in the Securities Act, of the Certificates so offered and sold. The name of the dealer and the terms of the transaction will be set forth in the Prospectus Supplement relating thereto.

Offers to purchase the Certificates may be solicited directly and the sale thereof may be made directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale thereof. The terms of any such sales will be described in the Prospectus Supplement relating thereto.

The Distributors may be entitled under relevant agreements to indemnification or contribution by the Company against certain liabilities, including liabilities under the Securities Act and may engage in

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transactions with, or perform services for, the Company and the Company's subsidiaries in the ordinary course of business.

LEGAL MATTERS

The validity of the Certificates offered hereby will be passed upon for the Company by Kelley Drye & Warren, a New York partnership including professional corporations, 101 Park Avenue, New York, New York 10178, and for any agents or underwriters by Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022. Unless otherwise indicated in the applicable Prospectus Supplement, both Kelley Drye & Warren and Shearman & Sterling will rely on the opinion of Richards Layton & Finger, counsel for Wilmington Trust Company, individually and as Pass Through Trustee for the Certificates of each Trust, as to certain matters relating to the authorization, execution and delivery of such Certificates by, and the valid and binding effect thereof on, such Pass Through Trustee.

EXPERTS

The consolidated financial statements of the Company incorporated by reference in this Prospectus and elsewhere in the Registration Statement have been audited by Ernst & Young, independent auditors, for the periods indicated in their reports with respect thereto and have been incorporated by reference herein in reliance upon such reports given upon the authority of said firm as experts in accounting and auditing.

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(SMITH'S FOOD & DRUG CENTERS LOGO)