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        COMPANY DATA:
                COMPANY CONFORMED NAME:                 DOMINICKS FINER FOODS INC /DE/
                CENTRAL INDEX KEY:                      0000945800
                STANDARD INDUSTRIAL CLASSIFICATION:     RETAIL-GROCERY STORES [5411]
                IRS NUMBER:                             363168270
                STATE OF INCORPORATION:                 DE
                FISCAL YEAR END:                        1029

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        BUSINESS ADDRESS:
                STREET 1:               505 RAILROAD AVE
                CITY:                   NORTHLAKE
                STATE:                  IL
                ZIP:                    60164
                BUSINESS PHONE:         7085621000

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended November 2, 1996	Commission File Number 33-92700

DOMINICK'S FINER FOODS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (State or other jurisdiction of incorporation or organization)	36-3168270 (I.R.S. Employer Identification Number)
505 Railroad Avenue Northlake, Illinois (Address of principal executive offices)	60164 (Zip code)

(708) 562-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to
Section 12(b) of the Act: None

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

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

At January 24, 1997 there were 1,000 shares of Common Stock outstanding. As of such date, all of the outstanding shares of Common Stock were held by Dominick's Supermarkets, Inc. and there was no public market for the Common Stock.

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PART I

ITEM 1. BUSINESS

INTRODUCTION

Dominick's Finer Foods, Inc. (together with its subsidiaries, the "Company") is the second largest supermarket operator in the greater Chicago metropolitan area with 100 stores. Through its 71 years of operation, the Company has developed a valuable and strategically located store base, strong name recognition, customer loyalty and a reputation as a quality and service leader among Chicago-area supermarket chains. The Company operates 83 full-service supermarkets under the Dominick's(R) name, including 22 Fresh Stores, and 17 price impact supermarkets under the Omni name. The Company is the only Chicago-area supermarket chain to operate both full-service and price impact formats, which allows it to serve a broader customer base and to tailor its stores to the demographic characteristics of individual store locations. The Company has a well-maintained and modern store base, with approximately 75% of its stores new or remodeled since 1989. While the Company's total number of stores has remained relatively constant since 1989, the Company's average selling square feet per store has increased by approximately 27%. The Company also owns and operates two primary distribution facilities totaling approximately 1.4 million square feet, a satellite facility of approximately 285,000 square feet and a dairy processing plant. In addition, the Company's management team has proven experience in successfully developing and operating both full-service and price impact supermarkets. The Company believes these factors have helped it to increase its market share among Chicago-area supermarkets from 19.0% in 1989 to 25.4% in 1995.

The Company was incorporated in Delaware in 1981 and its principal executive offices are located at 505 Railroad Avenue, Northlake, Illinois 60164, telephone (708) 562-1000.

ACQUISITION

The Company was acquired by Dominick's Supermarkets, Inc. ("Supermarkets") on March 22, 1995 for total consideration of approximately $693 million, excluding fees and expenses of approximately $41 million (the "Acquisition"). Supermarkets effected the Acquisition by acquiring 100% of the capital stock of the Company's parent, DFF Supermarkets, Inc. ("DFF"), for $346.6 million in cash and $40 million of Supermarkets' 15% Redeemable Exchangeable Cumulative Preferred Stock ("Redeemable Preferred Stock"). DFF was subsequently merged into the Company. In addition, Supermarkets repaid $34.3 million of secured promissory notes issued by the Company prior to the Acquisition to discharge all obligations under its stock appreciation rights ("SARs") plan and to repurchase shares of the Company's restricted stock held by certain management employees. In connection with the Acquisition, Supermarkets refinanced $135.7 million of the Company's existing indebtedness, assumed $124.5 million of existing capital leases and other indebtedness and paid $11.8 million of employment termination, seller advisory and other seller fees and expenses. For purposes of financial presentation, the Predecessor Company refers to the Company prior to the Acquisition.

STORE FORMATS

DOMINICK'S. The Company's Dominick's format stores are full-service supermarkets that emphasize quality, freshness and service. The Company classifies its Dominick's stores into three categories:

Conventional Supermarkets. Dominick's 23 conventional supermarkets are typically located in higher density population areas, average approximately 43,100 square feet in size (including approximately 28,900 square feet of selling space) and offer approximately 35,000 SKUs. All of the Company's conventional supermarkets include a variety of service departments typically found in full-service supermarkets such as delicatessen, bakery, meat and seafood departments and a limited selection of health and beauty care products. In addition, many stores also offer salad bars, prepared foods, floral departments, film processing and liquor. In fiscal 1991, the Company began to rationalize its base of 53 conventional supermarkets. Since then, in addition to the Fresh Store conversions, the Company closed certain under-performing conventional supermarkets. The Company's 23 remaining conventional supermarkets are stores which are primarily in locations where either replacement sites are not available or the demographics of the area do not justify a conversion to a different format.

Combination Food and Drug Stores. Dominick's 38 combination food and drug stores average approximately 57,600 square feet (including approximately 40,300 square feet of selling space) and offer approximately 60,000 SKUs. The combination food and drug stores offer all products and services typically found in a conventional supermarket and, by virtue of their large size, include a full-service drug store complete with a pharmacy, a broader line of health and beauty care products and an expanded selection of seasonal merchandise.

Fresh Stores. Dominick's 22 Fresh Stores are enhanced combination food and drug stores designed to create a European-style fresh market atmosphere and emphasize the store's visual appeal and quality merchandise perception. The Company's Fresh Stores feature significant upgrades in store design and fixtures in order to emphasize an expanded assortment of high quality fresh produce and other perishables, a large selection of restaurant-quality prepared foods for carry-out and in-store dining and a superior line of freshly baked goods and pastry items. Fresh Stores also typically offer expanded delicatessen, bakery, meat, seafood and floral departments and additional service departments such as a gourmet coffee cafe. The first Fresh Store was introduced in 1993 through the conversion of an existing conventional supermarket. A total of 14 stores have been converted to date, resulting in an average increase in customer counts, sales per square foot and store contribution margins for the converted stores over pre-conversion levels. Converted Fresh Stores average approximately 53,000 square feet in

size (including approximately 39,300 square feet of selling space) while new Fresh Stores are expected to average approximately 70,000 square feet (including approximately 55,000 square feet of selling space). In addition to the 14 converted stores, eight new Fresh Stores have been opened and more than 20 additional Fresh Stores are expected to be opened or converted by the end of fiscal 1998.

OMNI. The Company's 17 Omni stores are high-volume, price impact combination food and drug stores emphasizing low prices and a broad selection of products while offering less extensive service departments than traditional full-service supermarkets. Omni stores average approximately 92,300 square feet (including approximately 65,300 square feet of selling space). The Omni format has enabled the Company to expand its overall share of the market, as it attracts the price-conscious shopper who typically would choose a price-oriented food store over a traditional full-service supermarket. Omni stores have an approximate 7.2% market share, giving Omni the third largest market share among Chicago-area supermarkets on a stand-alone basis.

Introduced in 1987 as a response to the entrance of warehouse stores into the Chicago area, Omni stores offer modified everyday low prices and compete effectively with warehouse formats and other discount retailers in the Chicago area. The Company believes that Omni's prices are approximately 10% below those offered by traditional full-service supermarkets. Omni's marketing program emphasizes its low prices and reinforces its image with merchandising presentations such as a "Wall of Values" located near the entrance of the store which presents the customer with a selection of specially priced merchandise. To support its low prices, Omni is managed with a strict focus on cost control. This is achieved through labor efficiencies created by the implementation of time and cost saving measures such as presenting selected merchandise on pallets, offering a limited number of service departments and eliminating certain services such as bagging and customer pickup. The Omni stores also eliminate certain capital improvements such as more expensive in-store graphics and fixtures.

All of the Omni stores include service departments in deli, bakery and seafood, in addition to self-service meat, produce, liquor, bulk foods and club merchandise departments and a pharmacy. Each Omni store also offers a large selection of high-turnover general merchandise items typically found in drug and discount stores, including seasonal items for holiday and back-to-school seasons. The expanded general merchandise selection is utilized to increase variety for higher customer draw. All Omni stores also include in-store banking. Unlike the Dominick's format, the Omni format does not offer salad bars, special promotions or extensive front-end services.

STORE DEVELOPMENT

The Company's 71 years of operation in the Chicago area have allowed it to build its store locations selectively, and management believes that the Company's current locations include many prime store sites in developed urban and suburban areas which would be difficult to replicate. In addition to upgrading its store base through capital expenditures, the Company began to focus on rationalizing its conventional supermarket base in fiscal 1991. Between November 1990 and October 1995, 15 conventional supermarkets were closed. This store rationalization program also included an evaluation of the Company's perishable departments. In order to maximize the effectiveness of the remaining conventional supermarkets, the Company began to focus on upgrading their perishable departments and developing new prototypes to convey a stronger image of quality, selection and freshness to the customer. Capital investment was directed toward selectively adding improvements such as European-style bakeries and enhanced deli departments to existing Dominick's stores. These efforts led to the introduction of the Fresh Store concept at the beginning of fiscal 1994. In addition to its remodeling and store rationalization initiatives, the Company continued to build new stores on a selective basis. From the start of fiscal 1992 through the end of fiscal 1996 the Company opened ten combination food and drug stores and five Omni stores.

The Company introduced its first Fresh Store in November 1993. To date, the Company has converted 14 stores to Fresh Stores at a total capital cost of approximately $72 million and has opened eight new Fresh Stores. The Fresh Store conversions were very extensive, as these stores required complete overhauls and expansion of selling space. The results of the Company's 14 conversions of existing stores to Fresh Stores have been highly favorable and have resulted in an average increase in annualized sales of approximately 27% compared to such stores prior to their conversion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table sets forth additional information concerning changes in the Company's store base.

<TABLE>
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	FISCAL YEAR				
	1992	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
TOTAL STORES:					
Beginning of period	98	101	101	101	97
Opened	5	1	1	0	8
Closed	(2)	(1)	(1)	(4)	(5)
End of period	101	101	101	97	100
REMODELS AND CONVERSIONS:					
Major remodels	4	1	1	4	9
Fresh Store conversions	0	0	6	8	0
STORES BY FORMAT (END OF PERIOD):					
Dominick's:					
Conventional	47	45	38	27	23
Combination food and drug .	39	40	40	39	38
Fresh Stores	0	0	6	14	22
Subtotal	86	85	84	80	83
Omni	15	16	17	17	17
Total	101	101	101	97	100

</TABLE>

MARKET AREA

Chicago is the nation's third largest metropolitan area, with a population of approximately 7.7 million people and approximately 2.8 million households. Chicago has a stable and diverse economic base which includes major manufacturing, transportation, finance and other business centers. The population base of Chicago is relatively young and affluent compared to the national average and compared with other leading population centers. In addition to its attractive demographics, the Chicago metropolitan area has had a relatively stable economic environment with more stable inflation and unemployment rates than many other major urban markets. According to the U.S. Bureau of the Census, the population of suburban Chicago, where nearly 80% of the Company's stores are located, has grown by approximately 12% since 1986. According to a report issued by the U.S. Department of Commerce, by the year 2005 the Chicago area is also expected to have a population of 8.3 million residents and the largest increase in jobs of all of the nation's major metropolitan areas. The Company believes that its existing market share and its plans to add new stores will allow it to benefit from the continuing growth of the Chicago area.

WAREHOUSING, DISTRIBUTION AND PURCHASING

The Company currently owns and operates two primary distribution facilities with an aggregate of approximately 1.4 million square feet and a satellite facility of approximately 285,000 square feet for storage of forward buy inventory. Each store submits orders to the distribution facilities through a centralized processing system, and merchandise ordered from the warehouses is normally received at the stores the next day.

The Company's primary warehouse facility is located in Northlake, Illinois and handles dry grocery, produce, dairy, delicatessen, meat and frozen foods. In addition, goods prepared at the on-site commissary are cross-docked for delivery to the stores. The Company's other primary distribution facility, a general merchandise facility located on the south side of Chicago approximately 15 miles from the Company's Northlake facility, handles health and beauty care products and other general merchandise. The Company also owns and operates Ludwig Dairy, a dairy processing plant in Dixon, Illinois (approximately 100 miles west of Chicago) that manufactures cultured dairy products and ice cream. A satellite facility also located in Northlake is currently used only for the storage of forward buy products and operates at less than 10% of capacity.

The stores receive prepared foods, such as salads and cooked meats, from the Company's commissary. The commissary also distributes "Chef's Collection" products, which offer customers restaurant-quality, fully prepared entrees for carry-out. The commissary is operated as a profit center and charges individual stores for its services. Management believes that the Company is the only Chicago-area supermarket chain to operate its own commissary, which gives it certain competitive advantages, such as higher margins on prepared food, increased quality control and the ability to develop "signature items" not found in other supermarkets.

Distribution is accomplished through a Company-operated fleet of tractors and trailers. Stores are located an average of 15 miles from the principal distribution center, with the furthest store located approximately 35 miles away. Management believes this close proximity of the stores to the distribution facilities results in lower distribution costs and enables the Company to maintain lower levels of inventory and achieve more efficient warehousing than would otherwise be possible.

The Company has historically purchased merchandise from a large number of third party suppliers, none of which supplies a material portion of the Company's goods and services. The Company is a party to certain exclusivity contracts for the purchase of products from vendors. While these contracts have become common in the food retailing industry, the Company has not historically emphasized such contracts. The Company has begun to focus on such agreements more aggressively since the Acquisition and is also coordinating its purchasing efforts with other supermarket chains managed by The Yucaipa Companies ("Yucaipa"), a private investment group specializing in the acquisition and management of supermarket chains, in an effort to reduce its product costs. The Company also is pursuing forward buying and secondary sourcing opportunities. The Company actively participates in a Best Practices program with all other Yucaipa-managed supermarket chains that is intended to reduce costs and improve business processes. The Company believes that additional procurement savings may be realized in the future.

ADVERTISING AND PROMOTION

The Company advertises primarily through direct mail circulars distributed every Thursday, in addition to Sunday newspaper and radio advertisements. Television advertising is employed around holidays and other seasonal events to reaffirm the Company's reputation for high-quality perishables.

The Company's advertising and promotion strategy for its Dominick's stores stresses their quality, assortment of products, customer service and competitive prices. Since 1990, the Company has focused its Dominick's print media advertising on direct mail, which permits highly targeted marketing and supports the Company's store-specific merchandising goals. On average, the Company circulates approximately 11 different versions of its Dominick's circular each week, including two to three versions for stores which incorporate the Fresh Store concept. While all store departments share portions of the weekly circular, the Company tailors its advertisements to a particular store's trade area and store type. Management believes direct mail allows for distribution of the weekly advertising circular at a lower cost and provides more complete coverage than newspaper inserts. The Dominick's stores also utilize both television and radio advertising.

The Company also employs point-of-sale couponing whereby the Company provides coupons which are printed with the customer's receipt upon purchase of certain selected items. Manufacturers pay the Company to print a coupon for one product when another product is purchased in order to promote complementary or substitute products. The Company's stores also utilize this type of targeted marketing to promote items of its choice and to obtain information about purchasing behavior. To better facilitate the Company's target marketing programs for its Dominick's stores, the Company has also developed the "Fresh Values" frequent shopper card program, introduced to its Dominick's stores in December 1996.

The Company utilizes direct mail circulars as its primary form of advertising for the Omni stores. By distributing multiple versions of an advertisement, management believes the Omni stores have been successful in targeting multiple specific demographic zones from which customers for a particular store are drawn. Weekly circulars focus on Omni's everyday low prices and include a variety of weekly specials to draw customers into the store. The Company circulates approximately four different versions of the Omni circular each week. The Omni stores also utilize radio advertising.

PRIVATE LABEL PROGRAM

The Company's private label program represented 12.5% of fiscal 1996 sales (excluding meats, service delicatessen and produce items), which is significantly below the national average. One component of management's operating strategy is to increase private label sales to a level closer to the national average, which management believes will have a favorable impact on future gross margins. Gross margins on private label goods are generally eight to ten percent higher than on national brands, while offering comparable quality at prices that are approximately 25% lower. Through its private label program, the Company currently offers approximately 1,750 private label items at Dominick's stores and approximately 800 private label items at Omni stores.

Commencing in fiscal 1997, the Company will offer the "Private Selection" label as the premium private label at Dominick's stores. The "Private Selection" label is owned and licensed by Ralphs Grocery Company, a Yucaipa-managed supermarket chain. The Company procures grocery, deli, meat and health and beauty private label products through Topco Associates, Inc. ("Topco"), a large, national food buying cooperative. In addition to its "Dominick's" and "Omni" brand names, the Company features Topco-branded products under the "Valutime" brand name at its Dominick's stores, under the "Kingston" and "Mega" brand names at its Omni stores and under the "Top Care" brand name at all of its stores.

MANAGEMENT INFORMATION AND TRAINING SYSTEMS

In 1989, the Company began modernizing its management information systems by adopting a "multi-platform" strategy. This entailed upgrading or moving certain applications from the mainframe to a mid-range or a micro format. The upgrade of the Company's financial software is substantially complete, while the upgrade of purchasing software is expected to be completed in approximately one year. The Company has also initiated an upgrade of its warehousing system and plans to install radio frequency technology, which will enhance warehouse space utilization, manpower planning and store service levels. At the store level, all point-of-sale equipment has been upgraded in the past three years at a cost in excess of $4 million. Pharmacy terminals that keep detailed patient records and handle third party billing adjudication have been installed and direct store delivery receiving and time-and-attendance systems have been largely implemented at the store level. In addition, new PC-based store-level training systems have been configured in the Company's stores.

COMPETITION

The supermarket industry is highly competitive and characterized by narrow profit margins. Supermarket chains generally compete on the basis of location, quality of products, service, price, product variety and store condition. The Company's competitors include national and regional supermarket chains, independent and specialty grocers, drug and convenience stores, warehouse club stores, deep discount drug stores and supercenters. The Company regularly monitors its competitors' prices and adjusts its prices and marketing strategy as management deems appropriate in light of existing conditions.

In 1995, the Company had a market share of approximately 25.4% among Chicago-area supermarkets, compared to Jewel Food Stores, a subsidiary of American Stores, Inc., which had a market share of approximately 35.6%. The majority of the Company's other supermarket competitors are regional supermarket chains or small independent operators, none of which has greater than a 5% market share. Through its efforts to establish the Omni format and upgrade its Dominick's format stores, the Company has increased its market share from approximately 19.0% in 1989 to approximately 25.4% in 1995. A combination of the strength of Dominick's franchise in the region and the expansion and successful format differentiation of Omni has helped the Company increase its market share despite the fact that a substantial number of competitive store openings occurred in the Chicago metropolitan area between

1989 and 1995.

Beginning in the late 1980's and peaking in the early 1990's, a number of non-traditional competitors opened locations in the Chicago metropolitan area. These competitors introduced a number of new formats to the Chicago consumer, including warehouse club stores, mass merchants and supercenters. Though the Company has traditionally competed primarily with other supermarket chains, the Company's business strategy has been to compete with these new entrants through the introduction of its Omni format and continued growth of the Dominick's combination food and drug stores.

EMPLOYEES AND LABOR RELATIONS

As of November 2, 1996, the Company employed 17,982 people, of whom approximately 27% were full-time and 73% were part-time. The following table sets forth additional information concerning the Company's employees.

	UNION	NON-UNION	TOTAL
Salaried	137	855	992
Hourly:			
Full-time	3,324	529	3,853
Part-time	12,961	176	13,137
Total	16,422	1,560	17,982

Substantially all of the Company's store employees are unionized. Employees covered by union contracts are represented by six major unions: (i) United Food and Commercial Workers Union ("UFCW"), (ii) UFCW Union, Meat Division, (iii) International Brotherhood of Teamsters, (iv) International Brotherhood of Electrical Workers, (v) Automobile Mechanics Union (International Association of Machinists and Aerospace Workers) and (vi) Chicago and Northeast Illinois District Council of Carpenters.

The Company's contract with the Dominick's meatcutters (covering approximately 2,300 employees) expires in July 1997.

The Company has never experienced a work stoppage and considers its relations with its employees to be good. Pursuant to their collective bargaining agreements, the Company contributes to various union-sponsored, multi-employer pension plans.

TRADE NAMES, SERVICE MARKS AND TRADEMARKS

The Company uses a variety of trade names, service marks and trademarks. The Company believes that its more significant trade names, service marks and trademarks include "Dominick's," "Dominick's Finer Foods," "Omni Superstores," "Fresh Values" and "Omni."

GOVERNMENT REGULATION

The Company is subject to regulation by a variety of governmental agencies, including but not limited to, the U.S. Food & Drug Administration, the U.S. Department of Agriculture, the Illinois Department of Alcoholic Beverage Control, the Illinois Department of Agriculture, the Illinois Department of Professional Regulation and state and local health departments and other agencies. At present, local regulations prevent the Company from selling liquor, or certain types of liquor, at certain of its stores.

ENVIRONMENTAL MATTERS

The Company is subject to federal, state and local environmental laws that (i) govern activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes and (ii) impose liability for the costs of cleaning up certain damages resulting from sites of past spills, disposals or other releases of hazardous materials. The Company believes that it currently conducts its operations, and in the past has operated its business, in substantial compliance with applicable environmental laws. From time to time, operations of the Company have resulted, or may result, in noncompliance with or liability for cleanup pursuant to environmental laws. However, the Company believes that any such noncompliance or liability under current environmental laws would not have a material adverse effect on its results of operations and financial condition. The Company has not incurred material capital expenditures for environmental controls during the previous three years.

In connection with the Acquisition, the Company and Supermarkets conducted certain investigations (including in some cases, reviewing environmental reports prepared by others) of the Company's operations and its compliance with applicable environmental laws. The investigations, which included Phase I and Phase II assessments and subsequent studies by independent consultants, found that certain facilities have had or may have had releases of hazardous materials associated with the Company's operations or those of other current and prior occupants that may require remediation, particularly due to releases of hazardous materials from underground storage tanks and hydraulic equipment. The costs to remediate such environmental contamination are currently estimated to range from approximately $4.1 million to $5.7 million. Pursuant to the stock purchase agreement related to the Acquisition, the prior owners of the Company have agreed to pay one-half of such remediation costs up to $10 million and 75% of such remediation costs between $10 million and $20 million. Based in part on the investigations conducted and the cost-sharing provisions of such stock purchase agreement with respect to environmental matters, the Company believes that its liabilities relating to these environmental matters will not have a material adverse effect on its future financial position or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

RISK FACTORS

LEVERAGE; POTENTIAL INABILITY TO SERVICE OR REFINANCE DEBT

At November 2, 1996, the Company's consolidated total indebtedness and total stockholders' equity was approximately $541 million and $179 million, respectively. In addition, the Company's balance sheet at November 2, 1996, reflected goodwill of approximately $420 million. As of November 2, 1996, the

Company had approximately $113 million available for borrowing under the Company's revolving credit facility (the "New Revolving Facility"). The Company's ability to make scheduled payments of the principal of, or interest on, or to refinance, its indebtedness and to make scheduled payments under its operating leases depends on its future performance, which to a certain extent is subject to economic, financial, competitive and other factors beyond its control. Based upon the current level of operations, management believes that available cash flow, with available borrowings under the New Credit Facility (as defined below) and other sources of liquidity, including proceeds from sale-leaseback transactions, will be adequate to meet the Company's anticipated requirements for working capital, capital expenditures, interest payments and scheduled principal payments under the New Credit Facility and the Company's other indebtedness. There can be no assurance, however, that the Company's business will continue to generate cash flow at or above current levels or that anticipated growth will materialize. If the Company is unable to meet its obligations from such sources, the Company may be required to refinance all or a portion of its existing indebtedness, sell assets or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any such sales of assets or additional financing could be completed. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

POTENTIAL ADVERSE EFFECTS OF PENDING LITIGATION

On March 16, 1995, a lawsuit was filed in the United States District Court for the Northern District of Illinois against the Company by two employees of the Company.. The plaintiff's original complaint asserted allegations of gender discrimination and sought compensatory and punitive damages in an unspecified amount. The plaintiffs filed an amended complaint on May 1, 1995. The amended complaint added four additional plaintiffs and asserted allegations of gender and national origin discrimination. The plaintiffs filed a second amended complaint on August 16, 1996 adding three additional plaintiffs. The plaintiffs' motion for class certification is currently pending before the court. The parties are conducting discovery with respect to the pending motion for class certification. The Company plans to vigorously defend this lawsuit. Due to the numerous legal and factual issues which must be resolved during the course of this litigation, the Company is unable to predict the ultimate outcome of this lawsuit. If the Company were held liable for the alleged discrimination (or otherwise concludes that it is in the Company's best interest to settle the matter), it could be required to pay monetary damages (or settlement payments) which, depending on the outcome of the class certification motion (and the size of any class certified), the theory of recovery or the resolution of the plaintiffs' claims for compensatory and punitive damages, could be substantial and could have a material adverse effect on the Company. See "Legal Proceedings."

HIGHLY COMPETITIVE INDUSTRY

The supermarket industry is highly competitive and characterized by narrow profit margins. The Company's competitors include national and regional supermarket chains, independent and specialty grocers, drug and convenience stores, warehouse club stores, deep discount drug stores and supercenters. Supermarket chains generally compete on the basis of location, quality of products, service, price, product variety and store condition. The Company regularly monitors its competitors' prices and adjusts its prices and marketing strategy as management deems appropriate in light of existing conditions. There can be no assurance that new competitors will not enter the supermarket industry or that the Company can maintain its current market share. See "Business--Competition."

EXPOSURE TO REGIONAL ECONOMIC TRENDS DUE TO THE COMPANY'S GEOGRAPHIC CONCENTRATION

All of the Company's stores are located in the greater Chicago metropolitan area and thus the performance of the Company will be particularly influenced by developments in this area. A significant economic downturn in the Chicago metropolitan area could have a material adverse effect on the Company's business, financial condition or results of operations.

COST OF COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

The Company is subject to federal, state and local laws, regulations and ordinances that (i) govern activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes and (ii) impose liability for the costs of cleaning up, and certain damages resulting from, sites of past spills, disposals or other releases of hazardous materials (together, "Environmental Laws"). From time to time, operations of the Company have resulted or may result in noncompliance with or liability for cleanup pursuant to Environmental Laws. Certain investigations conducted in connection with the Acquisition found that certain of the Company's facilities have had or may have had releases of hazardous materials associated with the Company's operations or those of other current and prior occupants that may require remediation. The costs to remediate such environmental contamination are currently estimated to range from approximately $4.1 million to $5.7 million. Pursuant to the terms of the stock purchase agreement associated with the Acquisition, the prior owners of the Company have agreed to pay one-half of such remediation costs up to $10 million and 75% of such remediation costs between $10 million and $20 million. Giving effect to such contribution, the Company's net share of such remediation costs is currently estimated at approximately $4.3 million. To the extent that the prior owners of the Company fail to reimburse the Company for such remediation costs as they have agreed, the Company would be required to bear this entire expense and pursue its remedies against such former owners. See "Business--Environmental Matters."

DEPENDENCE UPON KEY PERSONNEL

The Company's success depends, in part, upon the services of Ronald W. Burkle, the Company's Chairman of the Board of Directors, Robert A. Mariano, the Company's President and Chief Executive Officer, and other key personnel. The loss of the services of Mr. Burkle, Mr. Mariano or other key management personnel could have an adverse effect upon the Company's business, results of operations or financial condition. The Company has entered into employment agreements with Mr. Mariano and certain of its other key management personnel. There can be no assurance that the Company will be able to retain its existing management personnel.

FORWARD-LOOKING STATEMENTS

When used in this report, the words "estimate," "expect," "project," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are subject to certain risks and uncertainties, including, but not limited to those discussed above, that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date hereof. All of these forward-looking statements are based on estimates and assumptions made by management of the Company, which although believed to be reasonable, are inherently uncertain and difficult to predict; therefore, undue reliance should not be placed upon such estimates. There can be no assurance that the growth, savings or other benefits anticipated in these forward-looking statements will be achieved. In addition, there can be no assurance that unforeseen costs and expenses or other factors will not offset or adversely affect the expected growth, cost savings or other benefits in whole or in part.

ITEM 2. PROPERTIES

The Company operates a total of 100 stores in the Chicago metropolitan area, as described in the following table:

<TABLE>
<CAPTION>

	NUMBER OF STORES			AVERAGE SQUARE FOOTAGE	
	OWNED	LEASED	TOTAL	TOTAL	SELLING
<S>	<C>	<C>	<C>	<C>	<C>
Dominick's:					
Conventional	1	22	23	43,100	28,900
Combination food and drug ..	8	30	38	57,600	40,300
Fresh Stores	0	22	22	56,600	42,400
Dominick's total	9	74	83	53,300	37,700
Omni	3	14	17	92,300	65,300
Company total	12	88	100	60,000	42,400

</TABLE>

At its leased stores, the Company generally enters into long-term net leases which obligate the Company to pay its proportionate share of real estate taxes, common area maintenance charges and insurance costs. In addition, such leases generally provide for contingent rent based upon a percentage of sales when sales from the store exceed a certain dollar amount. The average remaining term (including renewal options with increasing rents) of the Company's supermarket leases is approximately 30 years. Two of the three Omni stores owned by the Company are subject to long-term ground leases. There are mortgages on the Company's owned stores totaling approximately $3.7 million at November 2, 1996.

The Company's administrative offices currently occupy a small portion of an approximately 285,000 square foot facility at 505 Railroad Avenue (which also includes a satellite distribution facility) and approximately 171,300 square feet of space at 333 N. Northwest Avenue in Northlake, Illinois. The Company also owns and operates two primary warehouse and distribution facilities totaling approximately 1.4 million square feet and the Ludwig Dairy plant. See "Business--Warehousing, Distribution and Purchasing."

ITEM 3. LEGAL PROCEEDINGS

On March 16, 1995, a lawsuit was filed in the United States District Court for the Northern District of Illinois against the Company by two employees of the Company. The plaintiffs' original complaint asserted allegations of gender discrimination and sought compensatory and punitive damages in an unspecified amount. The plaintiffs filed an amended complaint on May 1, 1995. The amended complaint added four additional plaintiffs and asserted allegations of gender and national origin discrimination. The plaintiffs filed a second amended complaint on August 16, 1996 adding three additional plaintiffs. The plaintiffs' motion for class certification is currently pending before the court. The parties are conducting discovery with respect to the pending motion for class certification. The Company plans to vigorously defend this lawsuit. Due to the numerous legal and factual issues which must be resolved during the course of this litigation, the Company is unable to predict the ultimate outcome of this lawsuit. If the Company was held liable for the alleged discrimination (or otherwise concludes that it is in the Company's best interest to settle the matter), it could be required to pay monetary damages (or settlement payments) which, depending on the outcome of the class certification motion (and the size of any class certified), the theory of recovery or the resolution of the plaintiffs' claims for compensatory and punitive damages, could be substantial and could have a material adverse effect on the Company. Based upon the current state of the proceedings, the Company's assessment to date of the underlying facts and circumstances and the other information currently available, and although no assurances can be given, the Company does not believe that the resolution of this litigation will have a material adverse effect on the Company's overall liquidity. As additional information is gathered and the litigation proceeds, the Company will continue to assess its potential impact.

The Company, in its ordinary course of business, is party to various other legal actions. Management believes these are routine in nature and incidental to its operations. Management believes that the outcome of any such other proceedings to which the Company currently is a party will not have a material adverse effect upon its business, financial condition or results of operations. However, adverse developments with respect to any pending or future litigation could adversely affect the market price of the Company's Common Stock (defined below).

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no public trading market for the Company's common stock, $ .01 par value per share (the "Common Stock"). As of November 1, 1996, there was one holder of record of the Common Stock which is Dominick's Supermarkets, Inc.

The Company has not paid any dividends on its Common Stock since the Acquisition and does not expect to pay any dividends on its Common Stock in the foreseeable future. The Company's principal debt instruments contain certain restrictions on the payment of cash dividends with respect to the Company's Common Stock. The Predecessor Company paid dividends on its common stock totaling $793,000 and $791,000 for fiscal 1994 and the 20 weeks ended March 21, 1995, respectively.

ITEM 6. SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table sets forth selected historical financial data of the Company as of and for the 52 weeks ended October 31, 1992, the 52 weeks ended October 30, 1993, the 52 weeks ended October 29, 1994, the 20 weeks ended March 21, 1995 (Predecessor Company), the 32 weeks ended October 28, 1995, and the 53 weeks ended November 2, 1996, together with the operating and other financial data which have been derived from the financial statements audited by Ernst & Young LLP, independent auditors. The pro forma information set forth below for the 52 weeks ended October 28, 1995 gives effect to the Acquisition and certain related events as though they had occurred on October 30, 1994. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements of the Company and the Predecessor Company, together with the related notes thereto.

The Company was acquired by Supermarkets on March 22, 1995. The historical financial statements for the 20 weeks ended March 21, 1995 and all prior periods reflect the Predecessor Company results of operations. The historical results of operations for the 32 weeks ended October 28, 1995 and the 53 weeks ended November 2, 1996 are those of the Company following the Acquisition.

<TABLE>
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	PREDECESSOR COMPANY				COMPANY		
	52 WEEKS ENDED			20 WEEKS ENDED	32 WEEKS ENDED	PRO FORMA 52 WEEKS ENDED	53 WEEKS ENDED
	OCT. 31, 1992	OCT. 30, 1993	OCT. 29, 1994	MAR. 21, 1995	OCT. 28, 1995	OCT. 28, 1995	NOV. 2, 1996
	(DOLLARS IN MILLIONS, EXCEPT SHARE AND STORE DATA)						
OPERATING RESULTS:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales	$2,285.7	$2,330.2	$2,409.9	$958.8	$1,475.0	$2,433.8	$2,512.0
Cost of sales	1,789.0	1,815.0	1,871.5	747.6	1,136.6	1,881.7	

							1,933.0
Gross profit	496.7	515.2	538.4	211.2	338.4	552.1	579.0
Selling, general and administrative expenses	448.6	469.4	484.3	191.9	293.9	482.2	491.4
SARs termination costs(a)	--	--	--	26.2	--	--	--
Termination of consulting agreement(b)	--	--	--	--	--	--	10.5
Operating income (loss)	48.1	45.8	54.1	(6.9)	44.5	69.9	77.1
Interest expense	36.0	34.1	30.0	11.3	46.0	72.4	70.3
Income tax expense (benefit)	4.5	4.1	9.3	(7.1)	1.9	3.5	7.4
Extraordinary item(c)	--	--	6.3	--	4.6	4.6	6.3
Cumulative effect of accounting change	--	--	1.0	--	--	--	--
Net income (loss)	$7.6	$7.6	$7.5	$ (11.1)	$(8.0)	$(10.6)	$ (6.9)
OTHER FINANCIAL DATA:							
Depreciation and amortization	$49.2	$51.1	$52.9	$20.5	$25.4		$45.9
Capital expenditures	39.3	31.1	60.1	22.4	23.1		49.6
EBITDA (as adjusted)(d)	98.5	98.3	112.0	43.2	71.6		134.9
Cash flow from operating activities ..	47.9	89.9	73.2	20.0	61.8		41.1
Cash flow from investing activities ..	(34.3)	(27.9)	(55.5)	(14.6)	(464.6)		(48.6)
Cash flow from financing activities ..	(9.2)	(50.6)	(29.4)	(6.2)	441.1		(15.4)
STORE DATA:							
Fresh Store conversions	0	0	6	5	3		0
Stores opened during the period	5	1	1	0	0		8
Stores closed during the period	(2)	(1)	(1)	(4)	0		(5)
Stores open at end of period	101	101	101	97	97		100
Comparable store sales growth	(3.4)%	(1.6)%	2.9%	2.4%	1.5%		1.2%
Average weekly sales per store (000's)	$446	$448	$466	$484	$480		$491
Average sales per selling square foot	$611	$601	$610	$627	$606		$614
Total selling square feet (at end of period, in thousands)	3,788	3,969	4,039	3,976	4,008		4,244

BALANCE SHEET DATA (END OF PERIOD):

Working capital surplus (deficit)	$24.0	$2.0	$(22.3)	$(21.5)	$(34.2)	$(33.7)
Total assets	693.3	676.6	669.0	653.2	1,100.1	1,102.2
Total goodwill	--	--	--	--	419.3	420.2
Total debt	329.6	283.6	255.7	250.3	599.4	540.7
Stockholders' equity	103.5	110.2	116.7	104.7	139.9	179.1

</TABLE>

(a) In connection with the Acquisition, the Company discharged certain obligations under its SARs plan by making payments to plan participants.

(b) On November 1, 1996, the Company terminated a consulting agreement dated March 22, 1995 with Yucaipa. The termination fee of $10.5 million was paid to Yucaipa on November 1, 1996.

(c) Net income for the 52 weeks ended October 29, 1994 reflects an extraordinary loss of $6.3 million, net of applicable income tax benefit of $3.9 million, resulting from the retirement of $60 million principal amount of the Company's 11.78% Senior Notes. Net income for the 32 weeks ended October 28, 1995 reflects an extraordinary loss of $4.6 million, net of applicable income tax benefit of $2.8 million, resulting from the repayment of $150 million principal amount under a senior subordinated credit facility and the partial repayment of $50 million under the Company's then existing credit facility (the "Old Credit Facility"). Net loss for the 53 weeks ended November 2, 1996 reflects an extraordinary loss of $6.3 million, net of applicable tax benefit of $4.2 million, resulting from the refinancing of the Old Credit Facility in connection with the initial public offering of Supermarkets.

(d) EBITDA (as adjusted) represents income (loss) before interest expense, income taxes, depreciation and amortization, seller transaction expenses, SARs expenses and termination costs, net equipment write-offs related to closed stores and remodels, LIFO charge, termination of consulting agreement charge, extraordinary loss on extinguishment of debt and cumulative effect of accounting change. The Company believes that EBITDA (as adjusted) provides meaningful information regarding the Company's ability to service debt by eliminating certain non-cash and unusual charges. However, EBITDA (as adjusted) should not be construed as an alternative to operating income, net income or cash flow from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as an indication of the Company's operating performance or as a measure of liquidity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The computation of EBITDA (as adjusted) for the periods presented is as follows:

<TABLE>
<CAPTION>

	PREDECESSOR COMPANY				COMPANY		
	52 WEEKS ENDED			20 WEEKS ENDED	32 WEEKS ENDED	PRO FORMA 52 WEEKS ENDED	53 WEEKS ENDED
	OCT. 31, 1992	OCT. 30, 1993	OCT. 29, 1994	MAR. 21, 1995	OCT. 28, 1995	OCT. 28, 1995	NOV. 2, 1996
	(DOLLARS IN MILLIONS)						
Net income (loss)	$7.6	$7.6	$7.5	$(11.1)	$(8.0)	$(10.6)	$(6.9)
Interest expense	36.0	34.1	30.0	11.3	46.0	72.4	70.3
Income tax expense (benefit) ...	4.5	4.1	9.3	(7.1)	1.9	3.5	7.4
Depreciation and amortization ..	49.2	51.1	52.9	20.5	25.4	41.3	45.9
SARs expenses	0.3	0.4	2.0	0.6	--	--	--
SARs termination costs	--	--	--	26.2	--	--	--
Seller transaction expenses	--	--	0.2	0.8	--	--	--
Net equipment write-offs	0.3	0.6	1.7	1.3	--	1.3	--
LIFO charge	0.6	0.4	1.1	0.7	1.7	2.4	1.4
Termination of consulting agreement charge	--	--	--	--	--	--	10.5
Extraordinary loss on extinguishment of debt	--	--	6.3	--	4.6	4.6	6.3
Cumulative effect of accounting change	--	--	1.0	--	--	--	--
EBITDA (as adjusted)	$98.5	$98.3	$112.0	$43.2	$71.6	$114.9	$134.9

</TABLE>

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

GENERAL

Over the past five fiscal years, the Company's sales increased approximately 9.9% from $2.3 billion in fiscal 1992 to $2.5 billion in fiscal 1996. This growth occurred despite the fact that the total number of stores operated by the Company decreased slightly, from 101 at the end of fiscal 1992 to 100 at the end of fiscal 1996. Management believes that this sales growth has resulted in large measure from the substantial steps the Company has taken to strengthen its store base over this period by remodeling existing stores, closing certain under-performing stores and selectively adding new stores. Through fiscal 1991, the Company's capital expenditure program focused on developing combination food and drug stores, adding pharmacies and expanded health and beauty care product lines to many stores which were previously classified as conventional supermarkets and creating a critical mass of Omni stores. In addition to upgrading its store base through capital expenditures, the Company began to focus on "rationalizing" its conventional store base (closing, converting or replacing under-performing stores). Seven under-performing stores were closed in fiscal 1991 and an additional 13 were closed through the end of fiscal 1996. In order to maximize the effectiveness of the remaining conventional supermarkets, the Company began to focus on upgrading their perishable departments and developed new prototypes to convey a stronger image of quality, selection and freshness to the customer. These efforts led to the introduction of the Fresh Store concept at the beginning of fiscal 1994. During the five-year period ended November 2, 1996, the Company completed 33 major remodels (including the 14 Fresh Store conversions). In addition to its remodeling and store rationalization initiatives, the Company continued to build new stores on a selective basis. From the beginning of fiscal 1992 through the end of fiscal 1996, the Company opened 10 Dominick's combination food and drug stores and five Omni stores.

Store Mix. As a result of its store rationalization and capital expenditure program, the Company's store mix (by number of stores) changed from 47% conventional, 38% combination food and drug and 15% Omni at the end of fiscal 1992 to 23% conventional, 60% combination food and drug (including 22% Fresh Stores), and 17% Omni at November 2, 1996. This store mix change, along with the remodels and departmental improvements discussed above, resulted in a significant increase in total sales despite the reduction of one store, as average weekly sales per store increased from $446,000 in fiscal 1992 to $491,000 in fiscal 1996. In addition, gross margins improved slightly from fiscal 1992 to fiscal 1996 due to an improvement in gross margin at the Omni stores as the Omni store base matured and an increase in the number of combination food and drug stores (which generally have higher margins than conventional stores due to their product mix and increased offerings of higher-margin perishables). This margin increase was realized in spite of both the increase in the number of Omni stores as a percentage of total Company stores, as these stores generally have lower margins than either conventional supermarkets or combination food and drug stores, and the negative impact on gross margins resulting from the store disruptions during the Fresh Store conversions in fiscal 1994 and 1995. Management believes that as a result of its store rationalization and capital expenditure programs and its continued emphasis on opening new Fresh Stores and Omni stores, the Company is well positioned for future growth.

Fresh Store Conversions. One key aspect of the Company's store rationalization and capital expenditure programs has been the implementation of the Fresh Store concept. Dominick's 22 Fresh Stores are enhanced combination food and drug stores which are designed to create a European-style fresh market atmosphere and emphasize the store's visual appeal and quality merchandise perception. The Company's Fresh Stores feature significant upgrades in store design and offer an expanded assortment of high quality fresh produce and other perishables, a large selection of restaurant-quality prepared foods for carry-out and in-store dining and a superior line of freshly baked goods and pastry items. Fresh Stores also typically offer expanded delicatessen, bakery, meat, seafood and floral departments, and additional service departments such as a gourmet coffee cafe. The first Fresh Store was introduced in 1993 through the conversion of an existing conventional supermarket. A total of 14 stores have now been converted, resulting in an average increase in customer counts, sales per square foot and store contribution margins for the converted stores over pre-conversion levels. In addition, by focusing customers on the increased offerings of higher-margin perishables and prepared products, the Fresh Store concept has produced a more favorable margin mix. The conversions completed in fiscal 1994 and fiscal 1995 generally required complete renovation of the stores (at an estimated average capital expenditure of approximately $5.2 million per store conversion) and created significant disruptions to normal retail operations during the construction period. The Company estimates that the cost of future Fresh Store conversions will be comparable to such historical costs. The capital expenditures associated with the opening of eight new Fresh Stores in fiscal 1996 were approximately $2.7 million per store. The capital expenditures for opening new Fresh Stores are lower than the historical cost of conversion due to the fact that store construction is the responsibility of the site developer and such construction costs are amortized over the life of the associated lease. In addition, although the converted stores have generally achieved increased sales levels relatively quickly following their grand openings as Fresh Stores, their profitability has been adversely affected during the six-month ramp-up period following such grand openings as a result of increased promotional costs and other non-recurring start-up expenses. The Company held grand openings for six Fresh Stores in fiscal 1994, eight Fresh Stores in fiscal 1995 and eight Fresh Stores in fiscal 1996. The Company's current expansion plan calls for the construction of nine new Fresh Stores in fiscal 1997 and the conversion of five additional stores to the Fresh Store concept in fiscal 1997.

Acquisition Accounting. The Company was acquired by Supermarkets on March 22, 1995 in a transaction that was accounted for as a purchase of the Company by Supermarkets. As a result, all financial statements for periods subsequent to March 22, 1995 reflect the Company's assets and liabilities at their estimated fair market values as of March 22, 1995. The purchase price in excess of the fair market value of the Company's assets was recorded as goodwill and is being amortized over a 40-year period. The Company's purchase price allocation resulted in a reduction in the carrying value of the Company's fixed assets of approximately $83 million and in goodwill of approximately $438 million. The Company's total debt also increased substantially from approximately $250 million at March 21, 1995 to approximately $603 million on the date of the Acquisition. As a result of these changes, the Company's results of operations in periods subsequent to the Acquisition reflect reduced levels of depreciation and significantly increased levels of amortization and interest expense. In connection with the Acquisition, the Company established a closed store reserve in the amount of approximately $26.4 million to cover costs of stores closed, or expected to be closed, at the time of the Acquisition. For a discussion of certain fees and expenses and other amounts paid in connection with the Acquisition (which were accounted for as part of the purchase price), see the Notes to Consolidated Financial Statements included elsewhere herein.

RESULTS OF OPERATIONS

The following table sets forth the historical operating results of the Predecessor Company for fiscal 1994, the pro forma operating results of the Company for the 52 weeks ended October 28, 1995 which give effect to the Acquisition and certain related transactions, and the historical operating results of the Company for the 53 weeks ended November 2, 1996, expressed in millions of dollars and as a percentage of sales:

	PREDECESSOR COMPANY		COMPANY			
	52 WEEKS ENDED OCT. 29, 1994		PRO FORMA 52 WEEKS ENDED OCT. 28, 1995		53 WEEKS ENDED NOV. 2, 1996	
Sales	$2,409.9	100.0%	$2,433.8	100.0%	$2,512.0	100.0%
Gross profit	538.4	22.3	552.1	22.6	579.0	23.0
Selling, general and administrative expenses	484.3	20.1	482.2	19.8	491.4	19.5
Termination of consulting agreement	--	--	--	--	10.5	0.4
Operating income	54.1	2.2	69.9	2.8	77.1	3.1
Interest expense	30.0	1.2	72.4	2.9	70.3	2.8
Income tax expense	9.3	0.4	3.5	0.1	7.4	0.3
Extraordinary loss on extinguishment of debt	6.3	0.3	4.6	0.2	6.3	0.3
Cumulative effect of accounting change	1.0	--	--	--	--	--
Net income (loss)	$ 7.5	0.3	$ (10.6)	(0.4)	$ (6.9)	(0.3)

The following discussion of the Company's results of operations should be read in conjunction with the consolidated financial statements of the Company together with the related notes thereto and other information included elsewhere herein.

COMPARISON OF RESULTS OF OPERATIONS FOR THE 53 WEEKS ENDED NOVEMBER 2, 1996 (HISTORICAL) WITH THE 52 WEEKS ENDED OCTOBER 28, 1995 (PRO FORMA)

Sales: Sales increased $78.2 million, or 3.2%, from $2,433.8 million in the 52 weeks ended October 28, 1995 to $2,512.0 million in the 53 weeks ended November 2, 1996. The increase in sales in fiscal 1996 was primarily attributable to a 1.2% increase in comparable store sales, the opening of four new Dominick's Fresh Stores and the additional week in fiscal 1996, partially offset by the impact of the closure of four stores during fiscal 1995 and one store in fiscal 1996. Four replacement stores were opened in fiscal 1996, which are included in comparable store sales.

Gross Profit: Gross profit increased $26.9 million, or 4.9%, from $552.1 million in the 52 weeks ended October 28, 1995 to $579.0 million in the 53 weeks ended November 2, 1996. Gross profit as a percentage of sales increased from 22.6% in the 52 weeks ended October 28, 1995 to 23.0% in the 53 weeks ended November 2, 1996, due primarily to the reduction of product costs resulting from purchasing improvements and improved perishable and drug department gross profit. The increase in gross profit from perishables reflects the maturing of the converted Fresh Stores.

Selling, General and Administrative Expenses: Selling, general and administrative expenses ("SG&A") increased $9.2 million, or 1.9%, from $482.2 million in the 52 weeks ended October 28, 1995 to $491.4 million in the 53 weeks ended November 2, 1996. SG&A decreased from 19.8% of sales in the 52 weeks ended October 28, 1995 to 19.5% of sales in the 53 weeks ended November 2, 1996. The decrease in SG&A as a percentage of sales reflects improved labor productivity and reduced overhead costs.

Termination of Consulting Agreement: On November 1, 1996, the Company terminated a previous consulting agreement with Yucaipa resulting in the payment of a termination fee of $10.5 million.

Operating Income: Operating income for the 53 weeks ended November 2, 1996 increased $7.2 million, or 10.3%, from $69.9 million in the 52 weeks ended October 28, 1995 to $77.1 million as a result of the factors discussed above.

Interest Expense: Interest expense decreased from $72.4 million in the 52 weeks ended October 28, 1995 to $70.3 million in the 53 weeks ended November 2, 1996 primarily due to slightly lower interest rates and borrowing levels.

Net Income (Loss): Net loss decreased $3.7 million from a net loss of $10.6 million in the 52 weeks ended October 28, 1995 to a net loss of $6.9 million in the 53 weeks ended November 2, 1996 as a result of the factors discussed above.

COMPARISON OF RESULTS OF OPERATIONS FOR THE 52 WEEKS ENDED OCTOBER 28, 1995 (PRO FORMA) WITH THE 52 WEEKS ENDED OCTOBER 29, 1994 (PREDECESSOR COMPANY)

Sales: Sales increased $23.9 million, or 1.0%, from $2,409.9 million in fiscal 1994 to $2,433.8 million in fiscal 1995. The increase in sales in fiscal 1995 was primarily attributable to a 1.8% increase in comparable store sales and additional sales due to the opening of one new Omni store in May 1994 partially offset by the impact of the closure of four conventional stores in fiscal 1995. The growth in comparable store sales primarily reflects strong sales results at the 14 Fresh Stores opened prior to the end of fiscal 1995.

Gross Profit: Gross profit increased $13.7 million, or 2.5%, from $538.4 million in fiscal 1994 to $552.1 million in fiscal 1995. Gross profit as a percentage of sales increased from 22.3% in fiscal 1994 to 22.6% in fiscal 1995. The increase in gross margin was due primarily to the increased gross profit contribution from the perishable departments resulting from the Fresh Stores opened prior to the beginning of fiscal 1995 which more than offset the continuing effects of the Fresh Store conversion program in fiscal 1995.

Selling, General and Administrative Expenses: SG&A decreased $2.1 million, or 0.4%, from $484.3 million in fiscal 1994 to $482.2 million in fiscal 1995. SG&A decreased from 20.1% of sales in fiscal 1994 to 19.8% of sales in fiscal 1995. The decrease in SG&A as a percentage of sales is due primarily to reduced depreciation and amortization expenses resulting from purchase accounting adjustments which reduced the net carrying value of the

Company's fixed assets, offset somewhat by the elimination of certain non-recurring regulatory-ordered utility refunds which lowered utility costs in fiscal 1994.

Operating Income: Operating income increased $15.8 million, or 29.2%, from $54.1 million in fiscal 1994 to $69.9 million in fiscal 1995 as a result of the factors discussed above.

Interest Expense: Interest expense increased from $30.0 million in fiscal 1994 to $72.4 million in fiscal 1995 primarily due to the increased indebtedness outstanding following the Acquisition.

Net Income (Loss): Net income decreased from $7.5 million in fiscal 1994 to a net loss of $10.6 million in fiscal 1995. Pro forma net income in fiscal 1995 was adversely affected by an extraordinary charge of $4.6 million associated with the repayment of $150 million principal amount of the Company's senior subordinated credit facility and the prepayment of $50 million principal amount of the Company's term loan facilities. Net income in fiscal 1994 was adversely affected by an extraordinary charge of $6.3 million associated with the prepayment of $60 million principal amount of the Company's 11.78% Senior Notes and a $1.0 million charge to reflect the cumulative effect on prior years of the change in the Company's accounting for income taxes. Other factors affecting net income (loss) are discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash flow from operations, borrowings under its New Credit Facility (described below) and capital and operating leases. The Company's principal uses of liquidity are to provide working capital, finance capital expenditures and meet debt service requirements.

On November 1, 1996, $35.9 million of the proceeds of Supermarkets' initial public offering, together with $45.0 million of available cash and $193.6 million of proceeds under the New Credit Facility was used to repay all of the outstanding borrowings under the Company's then existing credit facility (the "Old Credit Facility"). The remaining proceeds were used to terminate a consulting agreement with Yucaipa. See "Certain Relationships and Related Transactions."

On November 1, 1996, the Company entered into a credit facility with a syndicate of financial institutions (the "New Credit Facility"). The New Credit Facility provides for a $100 million amortizing term loan (the "New Term Loan"), a $105 million revolving term facility (the "New Revolving Term Facility") and a $120 million revolving facility (the "New Revolving Facility," and together with the New Revolving Term Facility, the "New Revolving Facilities"), each of which has a six and one-half year term. The New Revolving Facility is available for working capital and general corporate purposes, including up to $50 million to support letters of credit. The Company utilizes letters of credit to cover workers' compensation self-insurance liabilities and for other general purposes. Letters of credit for approximately $17.2 million were issued under the New Credit Facility at November 2, 1996. Up to $20 million of the New Revolving Facility is available as a swingline facility (i.e., a facility which permits same-day borrowings directly from the agent under the New Credit Facility). The Company is not required to reduce borrowings under the New Revolving Facilities by a specified amount each year. The New Term Loan requires quarterly amortization payments commencing in fiscal 1998 in amounts ranging from $2.5 million to $7.5 million per quarter. The Company will also be required to make prepayments under the New Credit Facility, subject to certain exceptions, with a percentage of its consolidated excess cash flow and with the proceeds from certain asset sales, issuances of debt securities and any pension plan reversions.

The Company generated approximately $41.1 million of cash from operating activities during the 53-week period ended November 2, 1996 compared to $81.8 million during the 52-week period ended October 28, 1995. The reduction in cash generated from operating activities is attributable to higher interest expense resulting from the Acquisition, the consulting agreement termination fee paid to Yucaipa during fiscal 1996 and the effect of a decrease in working capital in fiscal 1995 resulting from increased trade leverage subsequent to the Acquisition. One of the principal uses of cash in the Company's operating activities is inventory purchases. However, supermarket operators typically require small amounts of working capital since inventory is generally sold prior to the time that payments to suppliers are due. This reduces the need for short-term borrowings and allows cash from operations to be used for non-current purposes such as financing capital expenditures and other investing activities. Consistent with this pattern, the Company had a working capital deficit of $34.2 million at October 28, 1995 and $33.7 million at November 2, 1996.

The Company used $48.6 million in investing activities for the 53 weeks ended November 2, 1996. Investing activities consisted primarily of capital expenditures of $49.6 million offset somewhat by sales of assets. Capital expenditures were made for store remodels, new store openings and, to a lesser extent, expenditures for warehousing, distribution, and manufacturing facilities and equipment, including data processing and computer systems.

The Company plans to make gross capital expenditures of approximately $84 million (or $55 million net of expected capital leases) in fiscal 1997. Such expenditures consist of approximately $54 million related to remodels and new stores, as well as ongoing store expenditures for equipment and maintenance, and approximately $30 million related to warehousing, distribution and manufacturing facilities and equipment, including data processing and computer equipment. Management expects that these capital expenditures will be financed primarily through cash flow from operations and capital leases. The capital expenditure budget for fiscal 1997 does not include certain environmental remediation costs which are expected to be incurred over the next several years in the range of approximately $4.1 million to $5.7 million (the Company's net share of which is currently estimated at approximately $4.3 million, after contributions by the prior owners of the Predecessor Company pursuant to the terms of the stock purchase agreement associated with the Acquisition, and for which an accrual has been provided in the Company's financial statements). See "Business--Environmental Matters." During fiscal 1996, the Company sold and leased back under capital leases approximately $37.3 million of certain existing owned equipment.

The Company has historically utilized leasing facilities to finance the cost of new store equipment and fixtures. At November 2, 1996, the Company had a $5.4 million lease facility available which it anticipates will be substantially utilized in connection with its new store program in the first quarter of fiscal 1997. The Company will seek additional lease facilities as required to support its capital expenditure program. As such lease facilities are utilized, the Company's capital lease indebtedness will increase by a comparable amount.

The capital expenditure plans discussed above do not include potential acquisitions which the Company could make to expand within its existing market or contiguous markets. The Company may consider such acquisition opportunities from time to time. Any such future acquisition may require the Company to seek additional debt or equity financing.

The Company is a wholly owned subsidiary of Supermarkets. The Company's principal debt instruments generally restrict the Company from paying dividends or otherwise distributing cash to Supermarkets, except under certain limited circumstances, including for the payment of taxes and, subject to limitations, for general administration purposes..

The Company, in the ordinary course of its business, is party to various legal actions. One case currently pending alleges gender discrimination by the Company and seeks compensatory and punitive damages in an unspecified amount. The plaintiffs' motion for class certification is currently pending before the court. Due to the numerous legal and factual issues which must be resolved during the course of this litigation, the Company is unable to predict the ultimate outcome of this lawsuit. If the Company were held liable for the alleged discrimination (or otherwise concludes that it is in the Company's best interest to settle the matter), it could be required to pay monetary damages (or settlement payments) which, depending on the outcome of the class certification motion (and the size of any class certified), the theory of recovery or the resolution of the plaintiffs' claims for compensatory and punitive damages, could be substantial and could have a material adverse effect on the Company. Based upon the current state of the proceedings, the Company's assessment to date of the underlying facts and circumstances and the other information currently available, and although no assurances can be given, the Company does not believe that the resolution of this litigation will have a material adverse effect on the Company's overall liquidity. As additional information is gathered and the litigation proceeds, the Company will continue to assess its potential impact. See "Legal Proceedings."

The Company is highly leveraged. Based upon current levels of operations and anticipated cost savings and future growth, the Company believes that its cash flow from operations, together with available borrowings under the New Revolving Facilities and its other sources of liquidity (including leases) will be adequate to meet its anticipated requirements for working capital, debt service and capital expenditures over the next few years.

EFFECTS OF INFLATION

The Company does not believe that inflation has had any significant impact on the Company's operations. The Company's primary costs, inventory and labor, are affected by a number of factors that are beyond its control, including, in addition to inflation, the availability and price of merchandise, the competitive climate and general and regional economic conditions. As is typical of the supermarket industry, the Company has generally been able to maintain gross profit margins by adjusting its retail prices, but competitive conditions may from time to time render it unable to do so while maintaining its market share.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements on page 27.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information with respect to the members of the Board of Directors and the executive officers of the Company. Executive officers of the Company are chosen by the Board of Directors and serve at its discretion.

NAME	TITLE	AGE
Ronald W. Burkle	Chairman of the Board (l)	44
Robert A. Mariano	President, Chief Executive Officer and Director (l)	46
Darren W. Karst	Executive Vice President, Finance and Administration, Chief Financial Officer, Secretary and Director	37
Robert E. McCoy	Executive Vice President of Operations	49
John W. Boyle	Group Vice President, Information Technology and Store Development	38
Robert R. DiPiazza	Group Vice President, Perishable Merchandising	45
Donald G. Fitzgerald	Group Vice President, Non-Perishable Merchandising and Logistics	35
Donald S. Rosanova	Group Vice President, Omni Division	47
Alice F. Smedstad	Group Vice President, Human Resources	47
Herbert R. Young	Group Vice President, Sales, Marketing and Advertising	55
Peter P. Copses	Director	38
Linda McLoughlin Figel	Director	32
Patrick L. Graham	Director (1)	47
David B. Kaplan	Director	29
Mark A. Resnik	Director	49
Antony P. Ressler	Director	36

(1) Member of the Executive Committee of the Board of Directors.

The Board of Directors has an Executive Committee. There are no family relationships among the executive officers or directors of the Company.

Pursuant to the Amended and Restated Stockholders Agreement dated as of November 1, 1996 (the "Stockholders Agreement"), among the Company, Supermarkets, certain affiliates of Yucaipa and Apollo Advisors, L.P. ("Apollo") and certain other stockholders of Supermarkets, six of the Company's current directors were selected by Yucaipa and three were selected by Apollo. Yucaipa and Apollo will continue to be able to nominate six and three directors, respectively, provided that certain beneficial ownership requirements set forth in the Stockholders Agreement continue to be met.

The Company does not pay any compensation to its directors for serving on the Board of Directors, but reimburses such persons for their out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors.

Ronald W. Burkle--Mr. Burkle has been the Chairman of the Company since March 1995 and served as Chief Executive Officer from March 1995 to January 1996. Mr. Burkle co-founded Yucaipa in 1986 and has served as director and Chairman of the Board of Food 4 Less Holdings, Inc. ("Food 4 Less") whose principal operating subsidiary is Ralphs Grocery Company ("Ralphs"), and Chairman of the Board and Chief Executive Officer of its predecessor, Food 4 Less Supermarkets, Inc. since 1987. Mr. Burkle has been a director and the Chief Executive Officer of Smith's Food & Drug Centers, Inc. ("Smith's") since May 1996 and was Chairman of the Board of Smitty's Supermarkets, Inc. ("Smitty's") from 1994 until its merger into Smith's in May 1996. Mr. Burkle also serves as a director of Kaufman and Broad Home Corporation. Before founding Yucaipa, Mr. Burkle held a number of supermarket executive positions and was a private investor in Southern California.

Robert A. Mariano--Mr. Mariano has been the President and a director of the Company since March 1995 and Chief Executive Officer since January 1996. Mr. Mariano also served as Chief Operating Officer from March 1995 until January 1996. Mr. Mariano joined the Company in 1972 and was Senior Vice President of Marketing and Merchandising from 1994 to 1995, Senior Vice President of Perishable Merchandising from 1989 to 1994, Senior Vice President of Operations from 1987 to 1989, and held a number of managerial positions prior to 1987.

Darren W. Karst--Mr. Karst joined the Company in March 1995 as Senior Vice President, Chief Financial Officer, Secretary and a director and was appointed Executive Vice President, Finance and Administration in March 1996. Mr. Karst joined Yucaipa in 1988 and has been a general partner since 1991. Prior to 1988, he was a manager at Ernst & Young LLP.

Robert E. McCoy--Mr. McCoy has been Executive Vice President of Operations of the Company since 1996 and served as Senior Vice President of Operations from 1989 to 1996. Prior to that time, he was Vice President of Operations at Jewel Food Stores, where he began his career in 1969.

John W. Boyle--Mr. Boyle has been Group Vice President, Information Technology and Store Development of the Company since March 1996. Mr. Boyle joined the Company in January 1995 as Vice President, Management Information Systems and became Vice President, Administration in March 1995. Prior to joining the Company, Mr. Boyle had been employed as Vice President--Information Systems at Food 4 Less Supermarkets, Inc. since 1993, and, before that, had been employed as a Senior Vice President at Thrifty Drugstores.

Robert R. DiPiazza--Mr. DiPiazza has been Group Vice President, Perishable Merchandising since March 1996, and, prior to that, had served as Vice President, Produce Operations since 1990. Before 1990, Mr. DiPiazza held a number of other managerial positions at the Company.

Donald G. Fitzgerald--Mr. Fitzgerald has been Group Vice President, Non-Perishable Merchandising and Logistics since March 1996. Prior to that time Mr. Fitzgerald had served as Vice President, Grocery Merchandising since 1994, as director of grocery merchandising from 1993 to 1994 and as director of grocery purchasing since 1990. Before 1990 Mr. Fitzgerald held several other managerial positions at the Company.

Donald S. Rosanova--Mr. Rosanova has been Group Vice President, Omni since March 1996, and, prior to that, had been Vice President, Distribution and Transportation since 1992. Before 1992 Mr. Rosanova held several other managerial positions at the Company.

Alice F. Smedstad--Mrs. Smedstad has been Group Vice President, Human Resources since December 1996. Mrs. Smedstad joined the Company in October 1995 as Vice President of Human Resources. Prior to that time she held several senior human resource positions at The Dial Corporation from 1980 to 1995. She began her professional career in manufacturing with the Proctor & Gamble Company in 1973.

Herbert R. Young--Mr. Young has been Group Vice President, Sales, Marketing and Advertising of the Company since March 1996 and served as Senior Vice President of Marketing from March 1995 to 1996. Prior to that time, Mr. Young was Senior Vice President and General Manager of Omni from 1994 to 1995 and was Senior Vice President of Marketing and Non-Perishable Merchandising from 1990 to 1994. Before joining the Company, he was Executive Vice President of Topco from 1986 to 1990.

Peter P. Copses--Mr. Copses has served as a director of the Company since March 1995. Mr. Copses also has served as a director of Food 4 Less and Ralphs since 1995. Since 1990, Mr. Copses has been a limited partner of Apollo Advisors, L.P. which, together with an affiliate, serves as the managing general partner of Apollo Investment Fund, L.P., AIF II, L.P., and Apollo Investment Fund III, L.P., which are private securities investment funds, and of Lion Advisors, L.P., which acts as financial advisor to and representative for certain institutional investors with respect to securities investments. From March to September 1990, Mr. Copses was a Vice President in the investment banking department of Donaldson, Lufkin & Jenrette Securities Corporation. Prior to 1990, he was employed by Drexel Burnham Lambert Incorporated. Mr. Copses is a director of Food 4 Less and Family Restaurants, Inc.

Linda McLoughlin Figel--Ms. Figel has been a director of the Company since August 1996. Ms. Figel also has served as a director of Smith's since May 1996. She joined Yucaipa in 1989 and became a general partner in 1991. Prior to 1989, she was employed by Bankers Trust Company in its Structured Finance Group.

Patrick L. Graham--Mr. Graham has served as a director of the Company since March 1995. Mr. Graham has served as a director of Food 4 Less and Ralphs since 1995 and served as Vice President and a director of Smitty's from June 1994 until its merger with Smith's in May 1996. Mr. Graham joined Yucaipa as a general partner in 1993. Prior to that time he was a Managing Director in the corporate finance department of Libra Investments, Inc. from 1992 to 1993 and PaineWebber Inc. from 1990 to 1992. Prior to 1990, he was a Managing Director in the corporate finance department of Drexel Burnham Lambert Incorporated.

David B. Kaplan--Mr. Kaplan has served as a director of the Company since March 1995. Since 1991, Mr. Kaplan has been associated with and is a limited partner of Apollo Advisors, L.P. and Lion Advisors, L.P. Prior to 1991, Mr. Kaplan was a member of the corporate finance department of Donaldson, Lufkin &

Jenrette Securities Corporation. Mr. Kaplan also serves as a director of PRI Holdings, Inc. and BDK Holdings, Inc.

Mark A. Resnik--Mr. Resnik has served as a director of the Company since March 1995. Mr. Resnik co-founded Yucaipa in 1986, and has served as a director of Food 4 Less and Ralphs since 1995 and as a director and Vice President of its predecessor, Food 4 Less Supermarkets, Inc., since 1987. Mr. Resnik served as Vice President and a director of Smitty's from June 1994 until its merger with Smith's in May 1996. From 1986 until 1988, Mr. Resnik served as a director and Vice President of Jurgensen's.

Antony P. Ressler--Mr. Ressler has served as a director of the Company since March 1995. In 1990, Mr. Ressler was one of the founding principals of Apollo Advisors, L.P. and Lion Advisors, L.P. Prior to 1990, Mr. Ressler was a Senior Vice President in the high yield bond department of Drexel Burnham Lambert Incorporated. Mr. Ressler is a director of Family Restaurants, Inc., United International Holdings, Vail Resorts, Inc. and PRI Holdings, Inc.

All of the directors named above also serve on the board of directors of Supermarkets.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following Summary Compensation Table sets forth information concerning the compensation of the Chief Executive Officer and the other four most highly compensated executive officers of the Company (the "Named Executive Officers"), whose total annual salary and bonus for the 53 weeks ended November 2, 1996 exceeded $100,000 for services rendered in all capacities to the Company and its subsidiaries for the same period.

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION		LONG TERM COMPENSATION(1)	
NAME AND PRINCIPAL POSITION	FISCAL YEAR ENDED	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS/ SARS(#)	ALL OTHER COMPENSATION
<S>	<C>	<C>	<C>	<C>	<C>
Ronald W. Burkle(2)	November 2, 1996	$--	$--	--	$--
Chairman	October 28, 1995	--	--	--	--
	October 29, 1994	--	--	--	--
Robert A. Mariano(3)	November 2, 1996	$482,700	$463,500	--	$14,700(4)
President and	October 28, 1995	334,200	216,000	146,379	3,463,700(4)(5)
Chief Executive Officer	October 29, 1994	216,000	216,000	--	22,400(4)
Darren W. Karst(6)	November 2, 1996	$289,700	$255,000	--	$7,100(4)

Executive Vice President,	October 28, 1995	151,600	--	73,189	1,700(4)
Finance and Administration,	October 29, 1994	--	--	--	--
and Secretary					
Robert E. McCoy	November 2, 1996	$289,400	$250,000	--	$878,600(4)(7)
Executive Vice President,	October 28, 1995	236,900	216,000	146,379	2,916,300(4)(5)
Operations	October 29, 1994	216,000	216,000	--	14,500(6)
Herbert R. Young	November 2, 1996	$229,300	$225,000	--	$865,100(4)(7)
Group Vice President,	October 28, 1995	225,600	210,900	146,379	2,923,000(4)(5)
Sales, Marketing and	October 29, 1994	210,900	210,900	--	21,000(4)
Administration					
John W. Boyle (8)	November 2, 1996	$182,500	$51,400	--	$4,300(4)
Group Vice President,	October 28, 1995	122,400	--	36,594	300(4)
Information Technology	October 29, 1994	--	--	--	--

</TABLE>

and Store Development

(1) Information for Messrs. Mariano, McCoy and Young excludes equity-based compensation of the Predecessor Company which was extinguished in connection with the Acquisition.

(2) Mr. Burkle served as Chairman of the Board and Chief Executive Officer from March 1995 to January 1996, and continues to serve as Chairman of the Board. Mr. Burkle provides services to the Company (other than as Chairman of the Board) pursuant to a Management Agreement (the "Management Agreement") between Yucaipa and the Company. Pursuant a Consulting Agreement between Yucaipa and the Company, the Company paid Yucaipa $2.6 million in the fiscal year ended November 2, 1996 and $1.5 in the 32 weeks ended October 28, 1995 for the services (other than Chairman of the Board or as directors) of Messrs. Burkle, Resnik and Graham and Ms. Figel and other Yucaipa personnel (other than Mr. Karst). Such payments to Yucaipa are not reflected in the table set forth above. See "Certain Relationships and Related Transactions - Yucaipa Management Agreement" and "Certain Relationships and Related Transactions - Yucaipa Consulting Agreement."

(3) Mr. Mariano was appointed President and Chief Operating Officer in March 1995 and was subsequently appointed Chief Executive Officer in January 1996.

(4) Includes (i) insurance premiums paid under senior management benefit plans, (ii) benefits paid under a senior management financial planning plan, (iii) profit sharing plan contributions made by the Company, (iv) other employee benefits and (v) for Mr. Mariano, interest forgiven on a promissory note. Such other compensation amounted to aggregate annual amounts of less than $50,000 for each Named Executive Officer.

(5) Includes the redemption for cash of all Predecessor Company's stock appreciation rights held by Messrs. Mariano, McCoy and Young at the time of the Acquisition in the amounts of $3,450,100, $2,901,500, and $2,901,500, respectively.

(6) Mr. Karst joined the Company as Senior Vice President, Chief Financial Officer and Secretary in March 1995 and was appointed Executive Vice President, Finance and Administration in March 1996. Mr. Karst is a general partner of Yucaipa, which provides services to the Company pursuant to the Management Agreement. See "Certain Relationships and Related Transactions - Yucaipa Management Agreement."

(7) Includes $864,000 and $843,700 for Messrs. McCoy and Young, respectively, paid during fiscal 1996 in connection with their respective employment agreements. See "Employment Agreements."

(8) Mr. Boyle was appointed Group Vice President, Information Technology and Store Development in March 1996.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Company does not have a board committee performing the functions of a compensation committee. Ronald W. Burkle, the Chairman of the Board of the Company and Robert A. Mariano, the President and Chief Executive Officer of the Company, made decisions with regard to executive officer compensation for fiscal 1996.

EMPLOYMENT AGREEMENTS

Concurrently with the consummation of the Acquisition, the Company entered into new employment agreements with certain executive officers as described below:

Mariano Employment Agreement. The Company and Mr. Mariano entered into a three-year employment agreement dated March 22, 1995 pursuant to which Mr. Mariano was employed as President and Chief Operating Officer (or such other offices as the Company's board of directors may designate) at an annual base salary of $400,000 (subject to increases at the discretion of the board). In January 1996, the board of directors appointed Mr. Mariano to the office of Chief Executive Officer and raised his annual base salary to $500,000. If the Company meets certain financial targets determined by its board of directors, Mr. Mariano will also be entitled to receive an annual incentive bonus not to exceed 200% of his annual base salary. Mr. Mariano is eligible to participate in employee benefit plans generally made available by the Company to its executive officers. At the closing of the Acquisition, Mr. Mariano received a payment of $864,000 in consideration of the cancellation of certain rights under his prior employment agreement. Concurrently with the closing of the Acquisition, Mr. Mariano exchanged 1,200 shares of the Company common stock for 190,293 shares of Common Stock of Supermarkets in a tax-deferred transaction. The employment agreement may be terminated by either party upon 30 days' notice for any reason, or immediately by the Company for cause. If during the term of the employment contract, Mr. Mariano resigns or his employment is terminated by the Company for any reason other than for cause, he will be entitled to receive a cash payment equal to three times his annual base salary, less $864,000, and maintenance at the Company expense of medical, dental and other benefits for 24 months following such employment termination.

McCoy Employment Agreement. The Company and Mr. McCoy entered into a three-year employment agreement dated March 22, 1995 pursuant to which Mr. McCoy was employed at an annual base salary of $250,000. In March 1996, the board of directors appointed Mr. McCoy to Executive Vice President of Operations and raised his annual base salary to $300,000. Mr. McCoy is also entitled to receive an annual incentive bonus, not to exceed 100% of base salary, if the Company meets certain financial targets determined by its board of directors. Mr. McCoy is entitled to participate in employee benefit plans generally made available by the Company to its executive officers. The employment agreement may be terminated by either the Company or Mr. McCoy upon 30 days' notice for any reason, or immediately by the Company for cause. In consideration of the cancellation of certain rights under his prior employment agreement, Mr. McCoy received a payment of $864,000 on March 22, 1996. If Mr. McCoy resigns or his employment is terminated by the Company other than for cause, he is entitled to receive the discounted present value of the aggregate base salary for the remaining term of the employment agreement less $864,000, plus the maximum bonus payable in the year of termination. Unless terminated for cause, Mr. McCoy is also entitled to continue to receive medical, dental and other employee benefits for the full three-year term of the employment agreement.

Young Employment Agreement. The Company and Mr. Young entered into a three-year employment agreement dated March 22, 1995 pursuant to which Mr. Young is employed at an annual base salary of $225,000. Mr. Young is also entitled to receive an annual incentive bonus, not to exceed 100% of base salary, if the Company meets certain financial targets determined by its board of directors. Mr. Young is also entitled to participate in employee benefit plans generally made available by the Company to its executive officers. The employment agreement may be terminated by the Company or Mr. Young upon 30 days' notice for any reason, or immediately by the Company for cause. In consideration of the cancellation of certain rights under his prior employment agreement, Mr. Young received a payment of $843,708 on March 22, 1996. In the event Mr. Young resigns or is terminated other than for cause, he is entitled to receive the discounted present value of the aggregate base salary for the remaining term of the employment agreement less $843,708, plus the maximum bonus payable in the year of termination. Unless terminated for cause, Mr. Young will also continue to receive medical, dental and other employee benefits for the full three-year term of the employment agreement.

FORMER SENIOR MANAGEMENT LONG TERM INCENTIVE PLAN

Prior to the consummation of the Acquisition, the Predecessor Company maintained a Senior Management Long Term Incentive Plan which awarded SARs to certain senior executives based upon the individual's length of tenure at the Predecessor Company and the annual performance of both the individual and the Predecessor Company. Prior to the consummation of the Acquisition, the Predecessor Company had approximately 20,800 SARs outstanding, which were held by 18 current and former officers of the Predecessor Company, including Messrs. Mariano, McCoy and Young.

Concurrently with the consummation of the Acquisition, approximately $29.5 million of outstanding SARs were redeemed for cash. An additional $2.6 million of SARs payments that would otherwise have been payable upon consummation of the Acquisition were canceled in exchange for the issuance of the Reinvestment Options (as defined). See "--1995 Stock Option Plan."

1995 STOCK OPTION PLAN

On March 19, 1995, Supermarkets adopted the 1995 Stock Option Plan (as amended, the "1995 Stock Option Plan"), designed to motivate certain executives to remain in the employ of the Company and to focus their efforts on long-term financial objectives. Under the 1995 Stock Option Plan, Supermarkets may, from time to time, grant incentive stock options or nonqualifying options to officers and other key employees of Supermarkets, the Company or its subsidiaries upon the terms, conditions and provisions of the 1995 Stock Option Plan. Options to purchase a total of 966,835 shares of Common Stock have been granted under the 1995 Stock Option Plan and Supermarkets does not intend to grant any additional options thereunder. Concurrently with the consummation of the Acquisition, Supermarkets granted each of Messrs. Mariano, McCoy and Young options with a term of ten years, exercisable for 146,379 shares of Supermarkets' Common Stock representing an aggregate of 1% of Supermarkets' Common Stock and Class B Common Stock outstanding as of the consummation of the Acquisition. In the case of Mr. Mariano, such options vest 20% per year over five years beginning one year from the date of grant, with an exercise price equal to $6.83 per share. Messrs. McCoy and Young each received Reinvestment Options (as defined below) to purchase 97,591 shares of Supermarkets' Common Stock at an exercise price of $1.71 per share which were fully vested and exercisable on the date of grant, and additional options to purchase 48,788 shares of Supermarkets' Common Stock at an exercise price of $6.83 per share which vest 25% per year over four years beginning two years from the date of grant. Together, such options entitle each of Messrs. McCoy and Young to purchase 146,379 shares of Supermarkets' Common Stock for an aggregate purchase price of $500,000.

Upon the consummation of the Acquisition, options representing an aggregate of 2.6% of the total equity of Supermarkets outstanding at such time were issued to holders of SARs in exchange for the cancellation of approximately $2.6 million of the SARs payments which would otherwise have been payable upon consummation of the Acquisition (the "Reinvestment Options"). The value of the SARs payments canceled were credited against the exercise price for each Reinvestment Option. The Reinvestment Options were fully vested upon issuance and are immediately exercisable.

1996 EQUITY PARTICIPATION PLAN

On October 28, 1996, Supermarkets adopted the 1996 Equity Participation Plan (the "1996 Equity Participation Plan") to enable key executive officers, other key employees, independent directors and consultants of Supermarkets to participate in the ownership of the Company. The 1996 Equity Participation Plan provides for the award to executive officers, other key employees, independent directors and consultants of Supermarkets, and the Company of a broad variety of stock-based compensation alternatives such as nonqualified stock options, incentive stock options, restricted stock, stock appreciation rights, performance awards, dividend equivalents and stock payments and provides for the grant to executive officers, other key employees, independent directors and consultants of nonqualified stock options. Awards under the 1996 Equity Participation Plan may provide participants with rights to acquire shares of Supermarkets' Common Stock.

The 1996 Equity Participation Plan is administered by the Board of Directors of Supermarkets, which is authorized to select from among the eligible participants the individuals to whom options, restricted stock purchase rights, stock appreciation rights, performance awards, dividend equivalents and stock payments are to be granted and to determine the number of shares to be subject thereto and the terms and conditions thereof. The Board of Directors of Supermarkets is also authorized to adopt, amend and rescind rules relating to the administration of the 1996 Stock Option Plan.

Nonqualified Stock Options will provide for the right to purchase Supermarkets' Common Stock at a specified price which may be less than fair market value on the date of grant (but not less than par value), and usually will become exercisable in installments after the grant date. Nonqualified stock options may be granted for any reasonable term.

Incentive Stock Options will be designed to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and will be subject to restrictions contained in the Code, including exercise prices equal to at least 100% of the fair market value of Supermarkets' Common Stock on the grant date and a ten-year restriction on their term, but may be subsequently modified to disqualify them from treatment as an incentive stock option.

Restricted Stock may be sold to participants at various prices (but not below par value) and made subject to such restrictions as may be determined by the Board of Directors of Supermarkets. Restricted stock, typically, may be repurchased by Supermarkets at the original purchase price if the conditions or restrictions are not met. In general, restricted stock may not be sold, or otherwise transferred or hypothecated, until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and will receive dividends prior to the time when the restrictions lapse.

Stock Appreciation Rights may be granted in connection with stock options or other awards, or separately. SARs granted by the Board of Directors of Supermarkets in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of Supermarkets' Common Stock over the exercise price of the related option or other awards, but alternatively may be based upon criteria such as book value. Except as required by Section 162(m) of the Code with respect to any SAR intended to qualify as performance-based compensation as described in

Section 162(m)(4)(C) of the Code, there are no restrictions specified in the 1996 Equity Participation Plan on the exercise of SARs or the amount of gain realizable therefrom, although restrictions may be imposed by the Board of Directors of Supermarkets in the SAR agreements. The Board of Directors of Supermarkets may elect to pay SARs in cash or in Supermarkets' Common Stock or in a combination of both.

Performance Awards may be granted by the Board of Directors of Supermarkets on an individual or group basis. Generally, these awards will be based upon specific agreements and may be paid in cash or in Supermarkets' Common Stock. Performance awards may include "phantom" stock awards that provide for payments based upon increases in the price of the Supermarkets' Common Stock over a predetermined period. Performance awards may also include bonuses which may be granted by the Board of Directors of Supermarkets on an individual or group basis and which my be payable in cash or in Supermarkets' Common Stock or in a combination of cash and Supermarkets' Common Stock.

Dividend Equivalents represent the value of the dividends per share paid by Supermarkets, calculated with reference to the number of shares covered by the stock options, SARs or other awards held by the participant.

Stock Payments may be authorized by the Board of Directors of Supermarkets in the form of shares of Supermarkets' Common Stock or an option or other right to purchase Supermarkets' Common Stock as part of a deferred compensation arrangement in lieu of all or any part of compensation, including bonuses, that would otherwise be payable in cash to the key employee or consultant.

A maximum of 1,000,000 shares have been reserved for issuance under the 1996 Equity Participation Plan.

YEAR-END OPTION VALUE TABLE

No Named Executive Officer was granted stock options during the fiscal year ended November 2, 1996 and no Named Executive Officer exercised stock options during the fiscal year ended November 2, 1996. The following table sets forth certain information concerning the number of stock options held by the Named Executive Officers as of November 2, 1996, and the value (based on the fair market value of a share of stock at fiscal year-end) of in-the-money options outstanding as of such date.

	NUMBER OF UNEXERCISED OPTIONS AT NOVEMBER 2, 1996		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT NOVEMBER 2, 1996	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Ronald W. Burkle	--	--	--	--
Robert A. Mariano	29,276	117,104	370,927	1,483,708
Darren W. Karst	14,638	58,552	185,463	741,854
Robert E. McCoy	97,591	48,788	1,736,144	618,144
Herbert R. Young	97,591	48,788	1,736,144	618,144
John W. Boyle	7,318	29,276	92,719	370,927

MANAGEMENT INCENTIVE PLAN

The Company's Management Incentive Plan (the "MIP program") covers all executive officers and other key managers. Its purpose is to provide a direct financial incentive in the form of an annual bonus to achieve or exceed pre-determined financial and individual objectives. The MIP program provides for varying levels of payout to participants depending on the individuals level within the organization. The Chief Executive Officer may receive a bonus ranging from 0% to 200% of base salary. Executive Vice Presidents may receive a bonus of up to 100% of base salary, and Group Vice Presidents may receive a bonus of up to 75% of base salary, except for Herbert R, Young, who is eligible to receive a bonus of up to 100% of base salary pursuant to his employment agreement.

SENIOR MANAGEMENT DISABILITY PLANS

The Company maintains a Short Term Disability Plan ("STD Plan") for its senior management. Under the STD Plan, an eligible employee who is disabled will receive payments equal to either 66.67% or 100% of base salary, depending upon the length of service with the Company, for a period of up to 26 weeks. An eligible employee is considered disabled if, as a result of injury, covered illness or pregnancy, the employee is unable to perform the duties of the officer's regular occupation.

The Company also maintains a Long Term Disability Plan ("LTD Plan") for its senior management, which is designed to provide salary continuation beyond the coverage extended through the STD Plan. Under the LTD Plan, an eligible employee who is disabled for 180 days will receive monthly payments equal to 60% of the employee's monthly earnings (base salary plus bonus), not to exceed a maximum of $30,000 per month, for the benefit duration specified in the LTD Plan. An eligible employee is considered disabled if, as a result of injury or illness for which the employee is under a doctor's care, the employee cannot perform all of the material and substantial duties of the employee's regular occupation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SUMMARY OWNERSHIP

All of the capital stock of the Company is owned by Supermarkets. For a description of the security ownership of Supermarkets, please refer to Supermarkets' definitive proxy statement for its 1997 Annual Meeting of Stockholders under the caption "Security Ownership of Certain Beneficial Owners and Management."

DESCRIPTION OF CAPITAL STOCK

THE COMPANY

The authorized capital stock of the Company consists of 1,000 shares of Common Stock, $.01 par value per share, all of which are outstanding and are owned by Supermarkets. There is no public trading market for the common stock of the Company. The indenture governing the Senior Subordinated Notes (the "Indenture") and the New Credit Facilities contain certain restrictions on the payment of cash dividends with respect to the Company's Common Stock. Subject to the limitations contained in such Indenture and the New Credit Facilities, Supermarkets will be entitled to dividends when and as declared by the Board of Directors of the Company from funds legally available therefor.

STOCKHOLDERS AGREEMENTS

Under the terms of the Stockholders Agreement entered into by the Company, Supermarkets, certain affiliates of Yucaipa and Apollo Advisors, L.P. ("Apollo") and certain other stockholders of Supermarkets, Yucaipa is entitled to nominate six directors to the Board of Directors and the board of directors of Supermarkets. Yucaipa's right to nominate members to such boards of directors will be reduced by three if Mr. Burkle ceases for any reason to beneficially own at least 33 1/3% of the shares of Supermarkets Common Stock beneficially owned by Yucaipa on the date of the Acquisition and shall terminate if Mr. Burkle ceases for any reason (including death) to beneficially own at least 25% of the shares of Supermarkets Common Stock beneficially owned by Yucaipa on such date. The Stockholders Agreement entitles Apollo to nominate three directors to the Board of Directors and the board of directors of Supermarkets. Apollo's right to nominate members to such boards of directors will be reduced by one if Apollo ceases to beneficially own at least 33 1/3% of the shares of Supermarkets Common Stock beneficially owned by Apollo on the date of the Acquisition and shall terminate if Apollo ceases to beneficially own at least 25% of the shares of Supermarkets Common Stock beneficially owned by Apollo on such date. If Apollo ceases to own at least 25% of the shares of Supermarkets Common Stock beneficially owned by Apollo on the date of the Acquisition and the parties to the Stockholders Agreement other than Apollo beneficially own at least 33 1/3% of the shares of Supermarkets Common Stock beneficially owned by such stockholders on the date of the Acquisition, Yucaipa will be entitled to nominate an additional member to the Board of Directors and the board of directors of Supermarkets. Notwithstanding the foregoing, however, Apollo may assign its rights to nominate two directors to a transferee (other than an affiliate of Yucaipa) acquiring at least 66 2/3% of the shares held by Apollo nominees. The Yucaipa nominees to such boards are Messrs. Burkle, Resnik, Karst, Graham and Mariano and Ms. Figel. The Apollo nominees are Messrs. Copses, Kaplan and Ressler. In addition, Apollo and certain other stockholders will have the right to participate in any bona fide transfer of the pecuniary interests in Supermarkets Common Stock beneficially owned by Yucaipa and its affiliates. In certain circumstances, Yucaipa will have the right to compel the participation of Apollo and other stockholders in sales of all the outstanding shares of Supermarkets stock. As of January 24, 1997, Yucaipa and its affiliates beneficially owned an aggregate of 2,924,059 shares of the Common Stock of Supermarkets and Apollo and its affiliates beneficially owned an aggregate of 5,855,181 shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

YUCAIPA CONSULTING AGREEMENT

On March 22, 1995, the Company and Supermarkets entered into a five-year consulting agreement (the "Consulting Agreement") with Yucaipa for certain management and financial advisory services to be provided to the Company and its subsidiaries. During the term of the Consulting Agreement The services of Messrs. Burkle, Resnik and Graham and Ms. Figel, and the services of other Yucaipa personnel (other than Mr. Karst) were provided to the Company, Supermarkets and their respective subsidiaries pursuant to the Consulting Agreement. See "Management." Messrs. Burkle, Resnik and Graham and Ms. Figel, together with Mr. Karst, are general partners of Yucaipa. The Consulting Agreement provided for the payment to Yucaipa of annual management fees in an amount equal to two percent (2.0%) of the Company's EBITDA (defined in the Consulting Agreement as net income (or loss) of the Company and its subsidiaries on a consolidated basis, determined in accordance with generally accepted accounting principles, excluding (i) all net extraordinary gains or losses, (ii) total interest expense of the Company and its subsidiaries on a consolidated basis, (iii) provisions for taxes based on income, (iv) total depreciation expense, (v) total amortization expense, (vi) LIFO provision, and (vii) other non-cash items reducing net income and other non-cash items increasing net income), plus reimbursement of out-of-pocket expenses. In connection with the its initial public offering, Supermarkets paid $10.5 million to Yucaipa to terminate its obligations under the Consulting Agreement. Pursuant to the Consulting Agreement, Yucaipa received a fee of $14.0 million for consulting and other services provided in connection with the Acquisition. Fees paid or accrued under the Consulting Agreement in connection with management services were approximately $1.5 million during the 32 weeks ended October 28, 1995 and $2.6 million during the 53 weeks ended November 2, 1996.

MANAGEMENT AGREEMENT

In order to obtain future services from Yucaipa, the Company and Supermarkets entered into a five-year management agreement (the "Management Agreement") with Yucaipa in connection with the initial public offering of Supermarkets' Common Stock. The Management Agreement provides for the payment of an annual fee to Yucaipa in the amount of $1.0 million per year. In addition, Supermarkets may retain Yucaipa in an advisory capacity in connection with certain acquisition or sale transactions, in which case the Company will pay Yucaipa an advisory fee equal to one percent (1.0%) of the transaction value. The term of the agreement will be automatically renewed on April 1 of each year for a five-year term unless 90 days' notice is given by either party. The Management Agreement may be terminated at any time by Supermarkets upon 90 days' written notice, provided that Yucaipa will be entitled to full payment of the annual fee under the agreement for the remaining term thereof, unless Supermarkets terminates for cause pursuant to the terms of the agreement. Yucaipa may terminate the agreement if Supermarkets fails to make a payment due thereunder, or upon a Change of Control (as generally defined in the Management Agreement to include certain mergers and asset sales, and acquisitions of beneficial ownership of greater than 51% of the Company's outstanding voting securities by persons other than Yucaipa). Upon any such termination, Yucaipa will be entitled to full payment of the annual fee for the remaining term of the agreement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)1. Financial Statements

Financial Statements required to be filed hereunder are indexed on page 27.

2. Financial Statement Schedules

All schedules are omitted because they are not required, are not applicable or the information is included in the Financial Statements or notes thereto.

3. Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of the Company.
3.2	Restated Bylaws of the Company.
4.1	Indenture, dated as of May 4, 1995, by and among the Company, Dodi Hazelcrest, Inc. Dominick's Finer Foods, Inc. of Illinois, Jerry's Deep Discount Centers, Inc., Kohl's of Bloomingdale, Inc., and Save-It Discount Foods Corporation, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to the 10 7/8 % Senior Subordinated Notes due 2005 of the Company. (Incorporated by reference to Exhibit 10.11 to Dominick's Supermarkets, Inc. Registration Statement on Form S-1, Number 333-14995).
10.1	Credit Agreement dated as of November 1, 1996 by and among Dominick's Finer Foods, Inc., as Borrower, Dominick's Supermarkets, Inc., as Guarantor, the lenders listed therein, Bankers Trust Company and The Chase Manhattan Bank, as Co-Arrangers, and Bankers Trust Company, as Administrative Agent. (Incorporated by reference to Exhibit 10.1 to Dominick's Supermarkets, Inc. Annual Report on Form 10-K for the fiscal year ended November 2, 1996).
10.2	Stock Purchase Agreement dated as of January 17, 1995 by and among DFF Holdings, Inc., DFF Sub, Inc., Dodi L.L.C., Dodi Family L.L.C. and Dodi Developments L.L.C. (Incorporated by reference to Exhibit 10.2 to Dominick's Supermarkets, Inc. Registration Statement on Form S-1, Number 333-14995).

10.3 Tax Matters Agreement dated as of March 22, 1995 by and among Dominick's Supermarkets, Inc., DFF Supermarkets, Inc., Dominick's Finer Foods, Inc., Dodi L.L.C., Dodi Family L.L.C., Dodi Developments L.L.C., Dodi, Inc., Blackhawk Developments, Inc., Blackhawk Properties, Inc., Dominick's Finer Foods, Inc., of Illinois, Dodi Hazelcrest, Inc., Kohl's of Bloomingdale, Inc., Jerry's Deep Discount Centers, Inc. and Save-It Discount Foods Corporation. (Incorporated by reference to Exhibit 10.3 to Dominick's Supermarkets, Inc. Registration Statement on Form S-1, Number 333-14995).

10.4 Employment Agreement dated as of March 22, 1995 between the Company and Robert A. Mariano. (Incorporated by reference to Exhibit 10.4 to Dominick's Supermarkets, Inc. Registration Statement on Form S-1, Number 333-14995).

10.5 Employment Agreement dated as of March 22, 1995 between the Company and Robert E. McCoy. (Incorporated by reference to Exhibit 10.5 to Dominick's Supermarkets, Inc. Registration Statement on Form S-1, Number 333-14995).

10.6 Employment Agreement dated as of March 22, 1995 between the Company and Herbert R. Young. (Incorporated by reference to Exhibit 10.6 to Dominick's Supermarkets, Inc. Registration Statement on Form S-1, Number 333-14995).

10.7 Management Agreement dated as of November 1, 1996 among The Yucaipa Companies, the Company and Dominick's Supermarkets, Inc. (Incorporated by reference to Exhibit 10.7 to Dominick's Supermarkets, Inc. Annual Report on Form 10-K for the fiscal year ended November 2, 1996).

10.8 Amended and Restated Stockholders Agreement dated as of November 1, 1996 by and among the Dominick's Supermarkets, Inc., DFF Supermarkets, Inc., Dominick's Finer Foods, Inc. and the stockholders of Dominick's Supermarkets, Inc. named therein. (Incorporated by reference to Exhibit 10.8 to Dominick's Supermarkets, Inc. Annual Report on Form 10-K for the fiscal year ended November 2, 1996).

10.9 Dominick's Supermarkets, Inc. Restated 1995 Stock Option Plan. (Incorporated by reference to Exhibit 10.12 to Dominick's Supermarkets, Inc. Annual Report on Form 10-K for the fiscal year ended November 2, 1996).

10.10 Dominick's Supermarkets, Inc. 1996 Equity Participation Plan. (Incorporated by reference to Exhibit 10.13 to Dominick's Supermarkets, Inc. Annual Report on Form 10-K for the fiscal year ended November 2, 1996).

21.1 Subsidiaries of the Company.

27.1 Financial Data Schedule.

(b) Reports on Form 8-K

There were no reports on Form 8K filed by the Company during the fourth quarter of fiscal 1996.

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(D) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

No annual report or proxy material has been sent to security holders. The Registrant will furnish copies of such report or proxy material if and when such report or proxy material is sent to security holders.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Dominick's Finer Foods Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Northlake, State of Illinois, on January 28, 1997.

DOMINICK'S FINER FOODS, INC.

By:
/s/ DARREN W. KARST

Darren W. Karst
Executive Vice President, Finance and Administration, and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>

/s/ RONALD W. BURKLE - ----------------------------		
Ronald W. Burkle	Chairman of the Board	January 28, 1997
/s/ ROBERT A. MARIANO - ----------------------------		
Robert A. Mariano	President, Chief Executive Officer, Director	January 28, 1997
/s/ DARREN W. KARST - ----------------------------		
Darren W. Karst	Executive Vice President, Finance and Administration, Chief Financial Officer (Principal Accounting Officer), Secretary, Director	January 28, 1997
/s/ LINDA McLOUGHLIN FIGEL - ----------------------------		
Linda McLoughlin Figel	Director	January 28, 1997
/s/ PATRICK L. GRAHAM - ----------------------------		
Patrick L. Graham	Director	January 28, 1997
/s/ PETER P. COPSES - ----------------------------		
Peter P. Copses	Director	January 28, 1997
/s/ DAVID B. KAPLAN - ----------------------------		
David B. Kaplan	Director	January 28, 1997
/s/ ANTONY P. RESSLER - ----------------------------		
Antony P. Ressler	Director	January 28, 1997

</TABLE>

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<CAPTION>

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Dominick's Finer Foods, Inc.

We have audited the accompanying consolidated balance sheets of Dominick's Finer Foods, Inc. as of November 2, 1996 and October 28, 1995, and the related consolidated statements of operations, stockholder's equity, and cash flows for the fiscal year ended October 29, 1994, the period October 30, 1994 through March 21, 1995 (Predecessor Company), the period March 22, 1995 through October 28, 1995, and for the fiscal year ended November 2, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dominick's Finer Foods, Inc. at November 2, 1996 and October 28, 1995, and the results of its operations and its cash flows for the fiscal year ended October 29, 1994, the period October 30, 1994 through March 21, 1995 (Predecessor Company), the period March 22, 1995 through October 28, 1995, and for the fiscal year ended November 2, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1994, the Predecessor Company changed its method of accounting for income taxes.

/s/ ERNST & YOUNG LLP

Chicago, Illinois
December 17, 1996

DOMINICK'S FINER FOODS, INC.

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

<S>	OCT. 28, 1995 <C>	NOV. 2, 1996 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$55,551	$32,735
Receivables, net	25,314	16,723
Inventories	182,880	203,411
Prepaid expenses & other	10,573	21,860
Total current assets	274,318	274,729
Property and equipment, net	353,015	368,224
Other assets:		
Deferred financing costs, net	22,567	11,524
Goodwill, net	419,298	420,182
Other, net	30,916	27,546
Total other assets	472,781	459,252
Total assets	$1,100,114	$1,102,205
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$171,209	$187,787
Accrued payroll and related liabilities	31,579	30,896
Taxes payable	7,958	18,234
Other accrued liabilities	83,422	61,465
Current portion of long-term debt	9,771	376
Current portion of capital lease obligations	4,565	9,676

Total current liabilities	308,504	308,434
Long-term debt:		
Bank Credit Facilities and other	281,109	200,644
Senior Subordinated Notes	200,000	200,000
Capital lease obligations	103,921	130,052
Deferred income taxes and other liabilities	66,730	84,004
Common Stock, $.01 par value 1,000 shares authorized, issued and outstanding at October 28, 1995 and November 2, 1996	--	--
Additional paid-in capital	147,798	193,951
Retained deficit	(7,948)	(14,880)
Total stockholder's equity	139,850	179,071
Total liabilities and stockholder's equity	$1,100,114	$1,102,205

</TABLE>

See accompanying notes.

DOMINICK'S FINER FOODS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	PREDECESSOR COMPANY		COMPANY	
	52 WEEKS ENDED OCT. 29, 1994	20 WEEKS ENDED MARCH 21, 1995	32 WEEKS ENDED OCT. 28, 1995	53 WEEKS ENDED NOV. 2, 1996
<S>	<C>	<C>	<C>	<C>
Sales	$2,409,911	$ 958,742	$ 1,474,982	$ 2,511,962
Cost of sales	1,871,535	747,561	1,136,600	1,932,994
Gross profit	538,376	211,181	338,382	578,968
Selling, general and administrative expenses	484,288	191,999	293,872	491,359
SARs termination costs	--	26,152	--	--
Termination of consulting agreement	--	--	--	10,500
Operating income (loss)	54,088	(6,970)	44,510	77,109
Interest expense:				
Interest expense	29,857	11,238	44,480	67,555
Amortization of deferred financing costs	135	69	1,460	2,741

	29,992	11,307	45,940	70,296
Income (loss) before income taxes, extraordinary loss and cumulative effect of accounting change	24,096	(18,277)	(1,430)	6,813
Income tax expense (benefit)	9,236	(7,135)	1,933	7,385
Income (loss) before extraordinary loss and cumulative effect of accounting change	14,860	(11,142)	(3,363)	(572)
Extraordinary loss on extinguishment of debt, net of applicable tax benefit of $3,896 in fiscal 1994, $2,824 in the 32 weeks ended October 28, 1995 and $4,195 in fiscal 1996	(6,324)	--	(4,585)	(6,360)
Cumulative effect of accounting change	(1,019)	--	--	--
Net income (loss)	$ 7,517	$ (11,142)	$ (7,948)	$ (6,932)

</TABLE>

See accompanying notes.

DOMINICK'S FINER FOODS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

PREDECESSOR COMPANY	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT OCTOBER 30, 1993	264,300	$26	$396	$109,822	$110,244
Net income	--	--	--	7,517	7,517
Cash dividend--$3.00 per share	--	--	--	(793)	(793)
Common stock purchased and retired ..	(700)	--	(62)	(233)	(295)
BALANCE AT OCTOBER 29, 1994	263,600	26	334	116,313	116,673
Net loss	--	--	--	(11,142)	(11,142)
Cash dividend--$3.00 per share	--	--	--	(791)	(791)
BALANCE AT MARCH 21, 1995	263,600	$26	$334	$104,380	$104,740

COMPANY

BALANCE AT MARCH 22, 1995	--	$--	$ --	$ --	$ --
Issuance of common stock	1,000	--	145,000	--	145,000
Net loss	--	--	--	(7,948)	(7,948)
Contribution of capital, other	--	--	2,798	--	2,798
BALANCE AT OCTOBER 28, 1995	1,000	--	147,798	(7,948)	139,850
Net loss	--	--	--	(6,932)	(6,932)
Contribution of capital, other	--	--	46,153	--	46,153
BALANCE AT NOVEMBER 2, 1996	1,000	$--	$193,951	$(14,880)	$179,071

</TABLE>

See accompanying notes.

DOMINICK'S FINER FOODS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	PREDECESSOR COMPANY		COMPANY	
	52 WEEKS ENDED OCT. 29, 1994	20 WEEKS ENDED MARCH 21, 1995	32 WEEKS ENDED OCT. 28, 1995	53 WEEKS ENDED NOV. 2, 1996
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$7,517	$ (11,142)	$(7,948)	$(6,932)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Extraordinary loss on debt extinguishment	--	--	7,409	10,555
Depreciation and amortization	52,862	20,499	25,364	45,924
Amortization of deferred financing costs	135	69	1,460	2,741
Stock appreciation rights	1,966	26,825	--	--
Deferred income taxes	(645)	(3,890)	7,625	4,315
Cumulative effect of accounting change	1,019	--	--	--
Loss (gain) on disposal of capital assets	74	1,149	(25)	(1,224)
Changes in operating assets and liabilities, net of acquisition:				
Receivables	6,794	2,546	(5,218)	8,491
Inventories	(10,780)	7,209	(683)	(20,531)
Prepaid expenses	1,072	(1,890)	2,783	(6,952)

Accounts payable	10,296	(10,217)	31,246	16,464
Accrued liabilities and taxes payable	2,848	(11,147)	(241)	(11,731)
Total adjustments	65,641	31,153	69,720	48,052
Net cash provided BY operating activities	73,158	20,011	61,772	41,120
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of capital assets	3,995	380	1,317	1,287
Capital expenditures	(60,056)	(22,423)	(23,125)	(49,588)
Proceeds from sale of investments	--	7,300	--	--
Business acquisition cost, net of cash acquired	--	--	(442,777)	--
Other--net	543	116	(31)	(260)
Net cash used in investing activities	(55,518)	(14,627)	(464,616)	(48,561)
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments for long-term debt and capital lease obligations	(68,303)	(5,363)	(131,145)	(291,517)
Proceeds from sale-leaseback of assets	--	--	--	37,307
Proceeds from debt issuances	40,214	--	480,000	195,000
Proceeds from issuance of capital stock	--	--	100,000	--
Contribution of capital	--	--	--	46,153
Debt issuance costs and other	(1,329)	(791)	(7,784)	(2,318)
Net cash provided by (used in) financing activities	(29,418)	(6,154)	441,071	(15,375)
Net increase (decrease) in cash and cash equivalents	(11,778)	(770)	38,227	(22,816)
Cash and cash equivalents at beginning of period	29,872	18,094	17,324	55,551
Cash and cash equivalents at end of period	$18,094	$17,324	$55,551	$32,735
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Acquisition of business:				
Fair value of assets acquired, net of cash required			$1,056,627	
Net cash paid in acquisition			(442,777)	
Exchange of capital stock			(40,000)	
Management equity investment			(5,000)	
Liabilities assumed			$ 568,850	
Contribution of capital in exchange for debt financing fees			$ 2,647	

</TABLE>

See accompanying notes.

DOMINICK'S FINER FOODS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Dominick's Finer Foods, Inc. (together with its subsidiaries, the "Company") was acquired by Dominick's Supermarkets, Inc. ("Supermarkets") on March 22, 1995 for total consideration of approximately $692.9 million, excluding fees and expenses of approximately $41.2 million (the "Acquisition"). Supermarkets effected the Acquisition by acquiring 100% of the capital stock of the Company's parent, DFF Supermarkets, Inc. ("DFF"), formerly known as Dodi Inc. ("Dodi") for $346.6 million in cash and $40 million of Supermarkets' 15% Redeemable Exchangeable Cumulative Preferred Stock ("Redeemable Preferred Stock"). DFF was subsequently merged into the Company. In addition, Supermarkets repaid $34.3 million of secured promissory notes issued by the Company prior to the Acquisition to discharge all obligations under its stock appreciation rights ("SARs") plan and to repurchase shares of the Company's restricted stock held by certain management employees. In connection with the Acquisition, Supermarkets' refinanced $135.7 million of the Company's existing indebtedness, assumed $124.5 million of existing capital leases and other indebtedness and paid $11.8 million of employment termination, seller advisory and other seller fees and expenses. The Acquisition was accounted for as a purchase of the Company by Supermarkets. As a result, the Company's assets and liabilities were recorded at their estimated fair market values as of March 22, 1995. The purchase price in excess of the fair market value of the Company's assets was recorded as goodwill and is being amortized over 40 years. For purposes of financial statement presentation, the Predecessor Company refers to the Company prior to the Acquisition.

A summary of the assets acquired and liabilities assumed as of March 22, 1995 is as follows (dollars in thousands):

<TABLE>

<S>	<C>
Assets	
Inventory	$182,439
Other current assets	37,632
Property and equipment, net	345,303
Goodwill	438,150
Deferred financing costs	22,722
Other intangible assets	30,381
Total Assets	$1,056,627
Liabilities	
Accounts payable and accrued expenses	$299,198
Long-term debt	237,511
Other liabilities	32,141
Total Liabilities	$568,850

</TABLE>

The following unaudited pro forma information presents the results of the Company's operations adjusted primarily to reflect interest expense and depreciation and amortization, as though the Acquisition had been made at the beginning of each period (dollars in millions):

<TABLE>
<CAPTION>

	52 WEEKS ENDED	
	OCTOBER 29,	OCTOBER 28,

	1994	1995
<S>	<C>	<C>
Sales	$2,409.9	$2,433.7
Loss before extraordinary loss and cumulative effect of accounting change	(8.9)	(6.0)
Net loss	(16.2)	(10.6)

</TABLE>

The Company uses a 52-53 week fiscal year ending on the Saturday closest to October 31. Fiscal 1994 and fiscal 1995 were 52-week periods while fiscal 1996 was a 53-week period. Fiscal 1995 consists of a 20-week Predecessor Company period ending March 21, 1995 and a 32-week Company period ending October 28, 1995 (collectively "fiscal 1995"). The Company operates supermarkets in Chicago, Illinois, and its suburbs. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company is a wholly owned subsidiary of Supermarkets. Supermarkets has no operations and its only asset at November 2, 1996 was $50.8 million of cash which was used to repurchase all of the Redeemable Preferred Stock on January 2, 1997.

Cash Equivalents

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

Inventories

Inventories are stated at the lower of cost, primarily using the last-in, first-out (LIFO) method, or market. If inventories had been valued using replacement cost, inventories would have been higher by $1,937,000 at October 28, 1995 and $3,355,000 at November 2, 1996 and gross profit and operating income would have been greater by $1,089,000, $750,000, $1,694,000 and $1,418,000 for fiscal 1994, the 20 weeks ended March 21, 1995, the 32 weeks ended October 28, 1995 and fiscal 1996, respectively.

Pre-Opening Costs

The costs associated with opening new and remodeled stores are deferred and amortized over one year following the opening of each store.

Property and Equipment

Property and equipment, including buildings capitalized under capital leases, are recorded at cost. Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

Buildings and improvements	10-33 years
Fixtures and equipment	3-12 years
Property under capital leases and lease rights	5-25 years

Deferred Financing Costs

Costs incurred in connection with the issuance of debt are amortized over the term of the related debt using the effective interest method.

Goodwill and Trademarks

The excess of the purchase price over the fair value of the net assets acquired is amortized on a straight-line basis over 40 years beginning at the date of acquisition. Current and undiscounted future operating cash flows are compared to current and undiscounted future goodwill amortization on a periodic basis (not less than annually) to determine if an impairment of goodwill has occurred. Trademarks, which are included in other assets, are amortized on a straight-line basis over 40 years. Accumulated amortization related to goodwill and trademarks at October 28, 1995 and November 2, 1996 was $6,865,000 and $18,587,000, respectively.

Income Taxes

The Predecessor Company changed its method of accounting for income taxes from the deferred method to the liability method as required by the Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes. As permitted by Statement 109, prior-year financial statements have not been restated to reflect the change in accounting method. The cumulative effect on prior years of adopting Statement 109 as of October 31, 1993 was to decrease fiscal 1994 net income by $1,019,000. Under Statement 109, deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes.

Closed Store Reserves

The Company provides a reserve for the net book value of any store assets, net of salvage value, and the net present value of the remaining lease obligation, net of estimated sublease income for stores that have closed or are planned to be closed. Included in liabilities assumed in the purchase price allocation are certain closed store reserves. Total closed store reserves were $25.6 million at November 2, 1996.

Self-Insurance Reserves

The Company is self-insured for its workers' compensation and general liability claims. The Company establishes reserves based on an independent actuary's review of claims filed and an estimate of claims incurred but not yet filed.

Discounts and Promotional Allowances

Promotional allowances and vendor discounts are recorded as a reduction of cost of sales in the accompanying Consolidated Statements of Operations. Allowance proceeds received in advance are deferred and recognized over the period earned.

Extraordinary Loss

During fiscal 1994, the Predecessor Company retired $60 million of its 11.78% Senior Notes, which resulted in an extraordinary loss on early extinguishment of debt of $6,324,000, net of applicable tax benefit of $3,896,000. During fiscal 1995, the Company used the proceeds from the offering of $200 million of Senior Subordinated Notes due 2005 (the "Senior Subordinated Notes") to repay in full the $150 million senior subordinated credit facility and to prepay $50 million of its then existing credit facility which resulted in an extraordinary loss on early extinguishment of debt of $4,585,000, net of tax benefit of $2,824,000. On November 1, 1996, the Company repaid its Old Credit Facility (see Note 3) which resulted in an extraordinary loss on early extinguishment of debt of $6,360,000, net of tax benefit of $4,195,000. The accompanying financial statements reflect these charges as extraordinary items.

Advertising

The Company expenses its advertising costs as incurred. Advertising expenses were $30,086,000, $11,472,000, $16,540,000 and $29,864,000 for fiscal 1994, the 20 weeks ended March 21, 1995, the 32 weeks ended October 28, 1995 and fiscal 1996, respectively.

Supplemental Cash Flow Disclosure

Cash paid for income taxes was $5,555,000, $3,115,000, $4,230,000 and $110,000 for fiscal 1994, the 20 weeks ended March 21, 1995, the 32 weeks ended October 28, 1995 and fiscal 1996, respectively. Cash paid for interest was $37,704,000, $15,835,000, $35,638,000 and $76,563,000 for fiscal 1994, the 20 weeks ended March 21, 1995, the 32 weeks ended October 28, 1995, and fiscal 1996, respectively. Capital lease obligations of $235,000 and $37,900,000 were entered into during fiscal 1994 and fiscal 1996, respectively. None were entered into in fiscal 1995.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts in the financial statements have been reclassified to conform with the November 2, 1996 presentation.

New Accounting Pronouncements

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt Statement 121 in fiscal 1997 and, based on current circumstances, does not believe the effect of the adoption will be material.

The Financial Accounting Standards Board issued Statement No. 123, Accounting for Stock Based Compensation, which allows the adoption of a fair value based method of expense recognition for stock-based compensation awards granted to employees or allows companies to continue to apply Accounting Principles Board Opinion No. 25, Accounting for Stock issued to Employees ("APB 25"), and disclose pro forma net income and earnings per share calculated as if Statement 123 had been adopted. Under APB 25, when the exercise price of employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized. The Company intends to continue to apply APB 25 and make the appropriate pro forma disclosure beginning in fiscal 1997.

2. PROPERTY, EQUIPMENT AND CAPITAL LEASES

Property, equipment and capital leases consist of the following (dollars in thousands):

<TABLE>
<CAPTION>

	OCT. 28, 1995	NOV. 2, 1996
<S>	<C>	<C>
PROPERTY AND EQUIPMENT		
Land	$37,795	$35,952
Buildings and leasehold improvements	72,518	76,387
Fixtures and equipment	113,293	104,391
Construction in progress	2,471	20,667
Lease rights	50,229	46,465
CAPITAL LEASES		
Buildings	94,501	94,501
Fixtures and equipment	440	38,340
Total	371,247	416,703
Less Accumulated depreciation and amortization:		
Property and equipment	(13,159)	(32,734)
Capital leases	(5,073)	(15,745)
	$353,015	$368,224

</TABLE>

3. LONG-TERM DEBT

Long-term senior debt consists of the following (dollars in thousands):

	OCT. 28, 1995	NOV. 2, 1996
Revolving Credit Facility	$ --	$ 95,000
Term Loan	--	100,000
Old Credit Facility	279,129	--
Other	11,751	6,020
	290,880	201,020
Less: Current portion	9,771	376
	$281,109	$200,644

On November 1, 1996, the Company entered into a credit facility with a syndicate of financial institutions (the "New Credit Facility"). The New Credit Facility provides for a $100 million amortizing term loan (the "New Term Loan"), a $105 million revolving term facility (the "New Revolving Term Facility") and a $120 million revolving facility (the "New Revolving Facility" and together with the New Revolving Term Facility the "New Revolving Facilities"), each of which has a six and one-half year term. The New Revolving Facility is available for working capital and general corporate purposes, including up to $50 million to support letters of credit. The Company utilizes letters of credit to cover workers' compensation self-insurance liabilities and for other general purposes. Letters of credit for approximately $17.2 million were issued under the New Credit Facility at November 2, 1996. Up to $20 million of the New Revolving Facility is available as a swingline facility (i.e., a facility which permits same-day borrowings directly from the agent under the New Credit Facility). The Company is not required to reduce borrowings under the New Revolving Facilities by a specified amount each year. The New Term Loan requires quarterly amortization payments commencing in fiscal 1998 in amounts ranging from $2.5 million to $7.5 million per quarter. The Company will also be required to make prepayments under the New Credit Facility, subject to certain exceptions, with a percentage of its consolidated excess cash flow and with the proceeds from certain asset sales, issuances of debt securities and any pension plan reversions. The New Credit

Facility is guaranteed by Supermarkets.

Borrowings under the New Credit Facility bear interest at a rate equal to, at the option of the Company, the Base Rate (as defined) plus a maximum .50% per annum or the reserve adjusted Euro-Dollar Rate (as defined) plus a maximum 1.5% per annum (subject to reduction). Up to $20 million of the Revolving Facility is available as a swingline facility and loans outstanding under the swingline facility shall bear interest at the Base Rate plus .125% per annum (subject to reduction as certain financial tests are satisfied). The Company will pay the issuing bank a fee of .25% per annum on each standby letter of credit and a fee to be negotiated with the issuing bank on each commercial letter of credit and will pay the lenders under the New Revolving Facility a letter of credit fee for standby letters of credit and commercial letters of credit equal to the applicable margin for Euro-Dollar loans under the Revolving Facility. In addition, the Company will pay a commitment fee on the unused portions of the Revolving Term Facility and Revolving Facility. The New Credit Facility may be prepaid in whole or in part without premium or penalty.

In connection with the Acquisition, the Company and its subsidiaries entered into a credit facility with a syndicate of financial institutions (the "Old Credit Facility"). The Old Credit Facility initially provided for (i) term loans in the aggregate amount of $330 million, comprised of $140 million Tranche A Loans, $60 million Tranche B Loans, $65 million Tranche C Loans, and $65 million Tranche D Loans; and (ii) a $100 million Revolving Credit Facility. The Old Credit Facility was repaid on November 1, 1996.

The New Credit Facility, among other things, requires the Company to maintain minimum levels of Consolidated Net Worth (as defined), and to comply with certain ratios related to Fixed Charges (as defined) and Indebtedness (as defined). In addition, the New Credit Facility limits, among other things, additional borrowings, dividends on, and redemption of capital stock, certain other payments from the Company to Supermarkets, capital expenditures, incurrence of lease obligations, and the acquisition and disposition of assets. At November 2, 1996, the Company and its subsidiaries were in compliance with the financial covenants of its debt agreements.

Substantially all of the assets of the Company and its subsidiaries are pledged as security under the New Credit Facility or other long-term debt.

On May 4, 1995, the Company issued $200 million principal amount of Senior Subordinated Notes in connection with the Acquisition. The Senior Subordinated Notes bear interest, payable semi-annually on May 1 and November 1, at an annual rate of 10.875%. The Senior Subordinated Notes, which are due on May 1, 2005, are subordinated to all Senior Indebtedness (as defined) of the Company, and may be redeemed beginning in fiscal year 2000 at a redemption price of 104.833%. The redemption price declines ratably to 100% in fiscal 2004. In addition, on or prior to May 1, 1998, the Company may, at its option, use the net cash proceeds of one or more Public Equity Offerings (as defined) to redeem up to an aggregate of $66.7 million principal amount of the Senior Subordinated Notes at redemption prices of 109.667% in 1996, declining to 108.458% in 1997.

Aggregate maturities of long-term debt as of November 2, 1996, excluding capital lease obligations, for each of the next five fiscal years are as follows (dollars in thousands):

<TABLE>

<S>	<C>
1997	$376
1998	7,877
1999	10,318
2000	14,097
2001	19,113

During fiscal 1996 the Company's effective interest rate was 9.2%.
</TABLE>

4. LEASES

The Company leases land, retail stores, and equipment. Many of the property leases obligate the Company to pay real estate taxes, insurance, and maintenance costs and contain multiple renewal options generally covering additional periods ranging from 15 to 30 years. Many of the leases require contingent rental payments, which are based primarily upon sales at the various retail stores, adjusted for certain expenses paid by the Company. Rent expense totaled $17,704,000 including $275,000 for contingent rentals for fiscal 1994, $6,511,000 and $167,000, respectively, for the 20 weeks ended March 21, 1995, $10,419,000 and $271,000, respectively for the 32 weeks ended October 28, 1995 and $17,710,000 and $525,000, respectively for fiscal 1996.

The future minimum lease payments under noncancelable operating and capital leases as of November 2, 1996 for each of the next five fiscal years and thereafter are as follows (dollars in thousands):

<TABLE>
<CAPTION>

<S>	OPERATING LEASES <C>	CAPITAL LEASES <C>
1997	$ 21,265	$ 25,704
1998	21,282	25,582
1999	21,265	25,529
2000	21,625	25,086
2001	21,215	24,308
Thereafter	190,919	119,643
Total minimum lease payments	$297,571	245,852
Less: Amount representing interest		(106,124)
Present value of net minimum lease payments		$139,728

The present value of net minimum capital lease payments includes $28,173,000 due to related parties.
</TABLE>

During fiscal 1996, the Company entered into certain sale and leaseback agreements whereby certain fixtures and equipment were sold for approximately $37.3 million and then leased back. A gain of $3.7 million was realized on the sales which has been deferred and is being amortized over the lives of the leases.

5. CAPITAL STOCK

The authorized capital stock of the Company consists of 1,000 shares of common stock, $.01 par value per share, all of which are outstanding and are owned by Supermarkets. There is no public trading market for the common stock of the Company. The Company's principal debt instruments contain certain restrictions on the payment of cash dividends with respect to the Company's common stock. Subject to the limitations contained in such principal debt instruments, Supermarkets will be entitled to dividends when and as declared by the Board of Directors of the Company from funds legally available therefor.

Supermarkets' Redeemable Preferred Stock has been pushed-down for accounting purposes and is included in additional paid-in-capital on the accompanying financial statements.

On November 1, 1996, Supermarkets contributed $46.1 million of capital to the Company in connection with its initial public offering.

Stock Appreciation Rights Plan (Predecessor Company)

The Predecessor Company had a Stock Appreciation Rights ("SARs") plan for certain officers and key management employees. The plan provided for additional compensation to be accrued on the difference between the book value per share of common stock at the end of each fiscal year and the book value per share at the later of the grant date or the last day of the prior fiscal year. As a result of the Acquisition, the SARs became fully vested and were valued at market value. Compensation expense incurred related to all SARs outstanding was $1,966,000 in fiscal 1994 and $673,000 during the 20 weeks ended March 21, 1995. In connection with the Acquisition, all obligations under the Company's stock appreciation rights plan were discharged and the plan was terminated. As a result of the Acquisition, the Predecessor Company recorded a charge of $26,152,000, reflecting the difference in fair market value and book value of the SARs at March 21, 1995.

6. INCOME TAXES

The provision (benefit) for income taxes consists of the following (dollars in thousands):

<TABLE>
<CAPTION>

	PREDECESSOR COMPANY	COMPANY

<S>	52 WEEKS ENDED OCT. 29, 1994 <C>	20 WEEKS ENDED MARCH 21, 1995 <C>	32 WEEKS ENDED OCT. 28, 1995 <C>	53 WEEKS ENDED NOV. 2, 1996 <C>
Current:				
Federal ..	$8,296	$(2,543)	$ (4,539)	$2,238
State	1,585	(702)	(1,153)	833
	9,881	(3,245)	(5,692)	3,071
Deferred:				
Federal ..	(300)	(3,027)	6,214	3,573
State	(345)	(863)	1,411	741
	(645)	(3,890)	7,625	4,314
	$9,236	$(7,135)	$1,933	$7,385

</TABLE>

A reconciliation of the provision for income taxes to amounts computed at the federal statutory rate of 35% is as follows (dollars in thousands):

<TABLE>
<CAPTION>

	PREDECESSOR COMPANY		COMPANY	
<S>	52 WEEKS ENDED OCT. 29, 1994 <C>	20 WEEKS ENDED MARCH 21, 1995 <C>	32 WEEKS ENDED OCT. 28, 1995 <C>	53 WEEKS ENDED NOV. 2, 1996 <C>
Federal income taxes at statutory rate on income before provision for income taxes, extraordinary loss and cumulative effect of accounting change	$8,434	$(6,397)	$ (501)	$2,385
Non-tax deductible goodwill amortization ..	--	--	2,417	4,450
State income taxes, net of federal income tax benefit	805	(828)	10	324
Other, net	(3)	90	7	226
	$9,236	$(7,135)	$1,933	$7,385

</TABLE>

<PAGE> 40

Significant components of the Company's deferred income tax liabilities and assets are as follows (dollars in thousands):

	1995	1996
Deferred income tax liabilities:		
Inventory	$10,773	$10,688
Property and equipment	25,972	27,031
State income taxes	1,989	1,696
Trademarks	8,917	8,733
Other	3,521	2,462
Total deferred income tax liabilities	51,172	50,610
Deferred income tax assets:		
Accrued vacation	2,830	3,079
Capital leases	3,937	5,305
Alternative minimum tax	6,386	6,385
Accrued self-insurance	16,665	16,864
Capitalized inventory	2,111	2,377
Other accrued liabilities	21,567	19,958
Other	2,751	5,897
Total deferred income tax assets	56,247	59,865
Net deferred income tax assets	(5,075)	(9,255)
Less: Valuation allowance	11,120	11,120
Net deferred income tax liabilities	$6,045	$1,865

On March 22, 1995, Supermarkets entered into an income tax sharing agreement with the Company and certain of its subsidiaries (the "Tax Sharing Agreement"). The Tax Sharing Agreement provides that in any year in which the Company is included in any consolidated tax return of Supermarkets and has taxable income, the Company will pay to Supermarkets the amount of the tax liability that the Company would have had on such date if it had been filing a separate return, taking into account carry forwards (but not carry backs) of tax losses and credits. In the event any state and local income taxes are determined on a combined or consolidated basis, the Tax Sharing Agreement provides for a similar allocation between Supermarkets and the Company of such state and local taxes.

7. PROFIT-SHARING AND RETIREMENT PLANS

The Company has trusteed, contributory profit-sharing plans (the "Plans") covering substantially all full-time employees. Plan participants are allowed to contribute a specified percentage of their compensation into the Plans. The amount of the Company's contribution is at the discretion of the Board of Directors, subject to limitations of the Plans.

Under the provisions of several collective bargaining agreements covering hourly paid employees, the Company is required to make pension contributions to multi-employer retirement plans based primarily on hours worked by such employees.

Retirement and profit-sharing plan expenses included in the Consolidated Statements of Operations were $14,572,000 for fiscal 1994, and $5,950,000 for the 20 weeks ended March 21, 1995, $8,638,000 for the 32 weeks ended October 28, 1995, and $14,408,000 for fiscal 1996.

8. RELATED PARTY TRANSACTIONS

The Company has a five-year management agreement with Yucaipa effective November 1, 1996 for management and financial services. The agreement is automatically renewed on April 1 of each year for a five-year term unless 90 days notice is given by either party. The agreement provides for annual management fees equal to $1.0 million. In addition, the Company may retain Yucaipa in an advisory capacity in connection with certain acquisition or sale transactions and in such case will pay an advisory fee equal to 1% of the transaction value.

On November 1, 1996, the Company terminated a previous consulting agreement with Yucaipa, which agreement called for fees equal to 2% of EBITDA (as defined). A fee of $10.5 million related to such termination was paid to Yucaipa on November 1, 1996. In addition, pursuant to the old consulting agreement, Yucaipa received a fee of $14 million for advisory and other services provided in connection with the Acquisition. Fees paid or accrued associated with management services were $1,490,000 during the 32 weeks ended October 28, 1995 and $2,636,000 during fiscal 1996.

9. COMMITMENTS AND CONTINGENCIES

On March 16, 1995, a lawsuit was filed against the Company by two former employees of the Company. The plaintiffs' original complaint asserted allegations of gender discrimination and sought compensatory and punitive damages in an unspecified amount. The plaintiffs subsequently filed two amendments to the original complaint which have added seven additional plaintiffs and asserted allegations of national origin discrimination. The plaintiffs' motion for class certification is currently pending before the court. The Company plans to vigorously defend this lawsuit. Based upon the current state of the proceedings, the Company's assessment to date of the underlying facts and circumstances and the other information currently available, and although no assurances can be given, the Company does not believe that the resolution of this litigation will have a material adverse effect on the Company's overall liquidity. As additional information is gathered and the litigation proceeds, the Company will continue to assess its potential impact.

The Company is also a defendant in other cases currently in litigation or potential claims encountered in the normal course of business which are being vigorously defended. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

Certain of the Company's facilities have had or may have had releases of hazardous materials associated with Dominick's operations or those of current or prior occupants that may require remediation. The costs to remediate such environmental contamination are currently estimated to range from approximately $4.1 million to $5.7 million. Pursuant to the stock purchase agreement in connection with the Acquisition, one-half of such remediation costs up to $10 million and 75% of such remediation costs between $10 million and $20 million will be paid by the prior owners the Company Accordingly, the Company has accrued $4.3 million to reflect its estimated liability for environmental remediation. The Company does not believe that the ultimate liability related to remediation will have a material adverse affect on the Company's financial position or results of operations.

The Company self-insures workers' compensation and general liability claims. During fiscal 1994 and the 20 weeks ended March 21, 1995, the Predecessor Company discounted its workers' compensation liability using a 7.5% discount rate. During the 32 weeks ended October 28, 1995 and fiscal 1996, all self-insurance liabilities were discounted using a 7.5% discount rate. Management believes that this rate approximates the time value of money over the anticipated payout period (approximately 12 years) for essentially risk-free investments.

The historical self-insurance liability information is as follows (dollars in thousands):

<TABLE>
<CAPTION>

<S>	OCT. 28, 1995 <C>	NOV. 2, 1996 <C>
Self-insurance liability	$55,898	$57,157
Less: Discount	(8,231)	(8,727)
Net self-insurance liability ..	$47,667	$48,430

</TABLE>

The estimated cash payments for claims will aggregate approximately $17 million, $12 million, $9 million, $7 million and $5 million for fiscal years 1997, 1998, 1999, 2000 and 2001, respectively.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	NOVEMBER 2, 1996	
<S>	CARRYING AMOUNT <C>	FAIR VALUE <C>

Cash and cash equivalents	$32,735	$32,735
Short-term notes and other receivables ..	16,723	16,723
Senior Subordinated Notes	200,000	224,000
Bank Credit Facility	195,000	195,731
Other	6,020	6,020

</TABLE>

The fair value of the Senior Subordinated Notes and the New Credit Facility are based on quoted market prices. Market quotes for the fair value of the remainder of the Company's debt are not available.

11. QUARTERLY DATA (UNAUDITED) (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	FISCAL 1996			
	FIRST QUARTER 12 WEEKS	SECOND QUARTER 12 WEEKS	THIRD QUARTER 16 WEEKS	FOURTH QUARTER 13 WEEKS
<S>	<C>	<C>	<C>	<C>
Sales	$584,362	$556,880	$759,309	$611,411
Gross profit	131,954	129,008	176,074	141,932
Operating income	19,330	18,886	26,443	12,450
Net income (loss) before extraordinary loss ..	669	728	1,716	(3,685)
Extraordinary loss	--	--	--	(6,360)
Net income (loss)	669	728	1,716	(10,045)

</TABLE>

<TABLE>
<CAPTION>

	FISCAL 1995			
	FIRST QUARTER 12 WEEKS	SECOND QUARTER 12 WEEKS	THIRD QUARTER 16 WEEKS	FOURTH QUARTER 12 WEEKS
<S>	<C>	<C>	<C>	<C>
Sales	--	--	$739,037	$544,630
Gross profit	--	--	168,112	127,676
Operating income	--	--	21,114	19,049
Net income before extraordinary loss ..	--	--	(1,081)	(1,301)
Extraordinary loss	--	--	(4,585)	--
Net loss	--	--	(5,666)	(1,301)

</TABLE>

Comments on Quarterly Data:

Quarterly data for the first and second quarter of fiscal 1995 have not been provided as such periods are pre-acquisition periods and are not meaningful for comparative purposes.

The termination of the Company's consulting agreement with Yucaipa during the fourth quarter of 1996 resulted in a $10.5 million charge (or $6.3 million net of tax benefit of $4.2 million).

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EXHIBIT 3.1

AGREEMENT OF MERGER

OF

DFF ACQUISITION SUB TWO, INC.

AND

DOMINICK'S FINER FOODS, INC.

This Agreement of Merger (this "Agreement") is entered into as of the 22nd day of March, 1995, between DFF Acquisition Sub Two, Inc., a Delaware corporation ("DFF Sub Two"), and Dominick's Finer Foods, Inc., a Delaware corporation ("Dominick's").

RECITALS

WHEREAS, the Boards of Directors of Dominick's and of DFF Sub Two each have determined that it is in the best interests of their respective stockholders for DFF Sub Two to be merged with and into Dominick's (the "Merger"), upon the terms and conditions set forth herein and in accordance with the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law").

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements set forth herein, the parties hereto agree as follows:

SECTION 1. The Merger. At the Effective Time (as defined below), DFF Sub Two shall be merged with and into Dominick's, pursuant to the provisions of Section 251 of the Delaware General Corporation Law, and the separate corporate existence of DFF Sub Two shall cease and Dominick's shall succeed and continue as the surviving corporation ("Surviving Corporation"), without other transfer, to all the rights and property of DFF Sub Two and shall assume all of the liabilities and obligations of DFF Sub Two.

SECTION. 2. Effective Time of the Merger. The Merger shall become effective immediately upon the filing of this Agreement or a Certificate of Merger relating to the Merger with the Secretary of State of the State of Delaware (the time of such filing being the "Effective Time").

SECTION 3. Certificate of Incorporation. At the Effective Time, the Certificate of Incorporation of Dominick's, as in effect immediately prior to the Effective Time, shall be amended, pursuant to Section 251(e) of the Delaware General Corporation Law, in its entirety to read as follows:

CERTIFICATE OF INCORPORATION

OF

DOMINICK'S FINER FOODS, INC.

1. The name of the corporation is:

Dominick's Finer Foods, Inc.

<PAGE> 2

2. The address of its registered office in the State of Delaware is 32 Loockerman Square, Suite L-100, in the City of Dover, County of Kent, 19904. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of stock which the corporation shall have authority to issue is One Thousand (1,000), all of which shall be Common Stock; and the par value of each share shall be one cent ($.01).

5. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the bylaws of the corporation.

6. Election of directors need not be by written ballot unless the bylaws of the corporation shall so provide.

7. No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the General Corporation Law of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit.

SECTION 4. Bylaws. At the Effective Time, the Bylaws of DFF Sub Two, as in effect immediately prior to the Effective Time, shall become the Bylaws of Surviving Corporation pursuant to a resolution adopted by the Board of Directors of Surviving Corporation dated as of the date hereof.

SECTION 5. Capital Stock. At the Effective Time, each share of common stock of DFF Sub Two issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one issued and outstanding, fully paid and nonassessable share of common stock, par value $.01, of Surviving Corporation. Upon surrender of the certificates formerly representing shares of the stock of DFF Sub Two to the Surviving Corporation, the holder of such certificates shall be entitled to receive in exchange for such certificates new certificates representing shares of the common stock of Surviving Corporation. At the Effective Time, each share of capital stock of Dominick's, whether issued and outstanding or held in the treasury, immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and no consideration shall be issued in respect thereof.

SECTION 6. Authorizations. The officers of Dominick's and of DFF Sub Two are hereby authorized to execute and deliver all such documents and instruments and take all such action which they deem necessary or desirable in order to carry out or put into effect the Merger.

SECTION 7. Miscellaneous.

(a) Entire Agreement; Amendments. This Agreement contains all of the terms and conditions agreed upon by the parties hereto in connection with the subject matter hereof. This Agreement may not be amended, modified or changed except by written instrument signed by all of the parties hereto and consistent with the provisions of the Stock Purchase Agreement dated as of January 17, 1995 by and among DFF Holdings, Inc., DFF Acquisition Sub, Inc., Dodi L.L.C., Dodi Family L.L.C. and Dodi Developments L.L.C. (the "Stock Purchase Agreement").

(b) Termination. Prior to the Effective Time, this Agreement shall automatically terminate if the Stock Purchase Agreement is validly terminated. The filing of this Agreement with the Secretary of State of the State of Delaware shall constitute certification that this Agreement has not theretofore been terminated. If terminated as provided in this Section 7(b), this Agreement shall forthwith become wholly void and of no further force or effect.

(c) Captions. All captions and headings are inserted for the convenience of the parties, and shall not be used in any way to modify, limit, construe or otherwise affect this Agreement.

(d) Severability. If any term, provision or condition of this Agreement is determined by a court or other judicial or administrative tribunal to be illegal, void or otherwise ineffective or not in accordance with public policy, the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect.

(e) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but which together shall constitute a single agreement.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the internal domestic laws of the State of Delaware, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement of Merger as of the day first above written by their respective officers thereunto duly authorized.

DFF ACQUISITION SUB TWO, INC.

By: /s/ Mark A. Resnik

Name: Mark A. Resnik
Title: Vice President

DOMINICK'S FINER FOODS, INC.

By: /s/ Darren W. Karst

Name: Darren W. Karst
Title: Senior Vice President

CERTIFICATE OF SECRETARY
OF
DFF ACQUISITION SUB TWO, INC.

The undersigned, Mark A. Resnik, Secretary of DFF Acquisition Sub Two, Inc., a Delaware corporation, does hereby certify that the foregoing Agreement of Merger was duly approved by resolutions adopted by unanimous written consent of the sole stockholder of said corporation, pursuant to Sections 228 and 251 of the Delaware General Corporation Law, as of March 22, 1995.

/s/ Mark A. Resnik

Mark A. Resnik

Secretary

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CERTIFICATE OF SECRETARY
OF
DOMINICK'S FINER FOODS, INC.

The undersigned, Darren W. Karst, Secretary of Dominick's Finer Foods, Inc., a Delaware corporation, does hereby certify that the foregoing Agreement of Merger was duly approved by resolutions adopted by unanimous written consent of the sole stockholder of said corporation, pursuant to Sections 228 and 251 of the Delaware General Corporation Law, as of March 22, 1995.

/s/ Darren W. Karst

Darren W. Karst
Secretary

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EXHIBIT 3.2

RESTATED BYLAWS

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RESTATED BYLAWS

OF

DOMINICK'S FINER FOODS, INC.

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RESTATED BYLAWS

OF

DOMINICK'S FINER FOODS, INC.

ARTICLE I
OFFICES

Section 1. REGISTERED OFFICES. The registered office shall be in the City of Dover, County of Kent, State of Delaware.

Section 2. OTHER OFFICES. The corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. PLACE OF MEETINGS. Meetings of stockholders shall be held at any place within or outside the State of Delaware designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the principal executive office of the corporation.

Section 2. ANNUAL MEETING OF STOCKHOLDERS. The annual meeting of stockholders shall be held each year on a date and a time designated by the Board of Directors. At each annual meeting directors shall be elected and any other proper business may be transacted.

Section 3. QUORUM; ADJOURNED MEETINGS AND NOTICE THEREOF. A majority of the stock issued and outstanding and entitled to vote at any meeting of stockholders, the holders of which are present in person or represented by proxy, shall constitute a quorum for the transaction of business except as otherwise provided by law, by the Certificate of Incorporation, or by these Bylaws. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum and the votes present may continue to transact business until adjournment. If, however, such quorum shall not be present or represented at any meeting of the stockholders, a majority of the voting stock represented in person or by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat.

Section 4. VOTING. When a quorum is present at any meeting, in all matters other than the election of directors, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting,

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unless thequestion is one upon which by express provision of the statutes, or the Certificate of Incorporation, or these Bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Section 5. PROXIES. At each meeting of the stockholders, each stockholder having the right to vote may vote in person or may authorize another person or persons to act for him by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. All proxies must be filed with the Secretary of the corporation at the beginning of each meeting in order to be counted in any vote at the meeting. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation on the record date set by the Board of Directors as provided in Article VII, Section 6 hereof.

Section 6. SPECIAL MEETINGS. Special meetings of the stockholders, for any purpose, or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or the Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding, and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 7. NOTICE OF STOCKHOLDERS' MEETINGS. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which notice shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. The written notice of any meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

Section 8. MAINTENANCE AND INSPECTION OF STOCKHOLDER LIST. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 9. STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which

may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in Delaware, its principal place of business, or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Section 9 to the corporation, written consents signed by a sufficient number of holders to take action are delivered to the corporation by delivery to its registered office in Delaware, its principal place of business or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III
DIRECTORS

Section 1. THE NUMBER OF DIRECTORS. The number of directors which shall constitute the whole Board shall be nine (9). The directors need not be stockholders. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and qualified; provided, however, that unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board of Directors may be removed, either with or without cause, from the Board of Directors at any meeting of stockholders by a majority of the stock represented and entitled to vote thereat.

Section 2. VACANCIES. Vacancies on the Board of Directors by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. The directors so chosen shall hold office until the next annual election of directors and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3. POWERS. The property and business of the corporation shall be managed by or under the direction of its Board of Directors. In addition to the powers and authorities by

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these Bylaws expressly conferred upon them, the Board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 4. POWERS. The property and business of the corporation shall be managed by or under the direction of its Board of Directors. In addition to the powers and authorities by4. PLACE OF DIRECTORS' MEETINGS. The directors may hold their meetings and have one or more offices, and keep the books of the corporation outside of the State of Delaware.

Section 5. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 6. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President on forty-eight hours' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the President or the Secretary in like manner and on like notice on the written request of two directors unless the Board consists of only one director; in which case special meetings shall be called by the President or Secretary in like manner or on like notice on the written request of the sole director.

Section 7. QUORUM. At all meetings of the Board of Directors a majority of the authorized number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the vote of a majority of the directors present at any meeting at which there is a quorum, shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Certificate of Incorporation or by these Bylaws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. If only one director is authorized, such sole director shall constitute a quorum.

Section 8. ACTION WITHOUT MEETING. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 9. TELEPHONIC MEETINGS. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 10. COMMITTEES OF DIRECTORS. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each such committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from

voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the Bylaws of the corporation; and, unless the resolution or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

Section 11. MINUTES OF COMMITTEE MEETINGS. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

Section 12. COMPENSATION OF DIRECTORS. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV
OFFICERS

Section 1. OFFICERS. The officers of this corporation shall be chosen by the Board of Directors and shall include a Chairman of the Board of Directors or a President, or both, and a Secretary. The corporation may also have at the discretion of the Board of Directors such other officers as are desired, including a Vice-Chairman of the Board of Directors, a Chief Executive Officer, a Treasurer, one or more Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 hereof. In the event there are two or more Vice Presidents, then one or more may be designated as Executive Vice President, Senior Vice President, or other similar or dissimilar title. At the time of the election of officers, the directors may by resolution determine the order of their rank. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 2. ELECTION OF OFFICERS. The Board of Directors, at its first meeting after each annual meeting of stockholders, shall choose the officers of the corporation.

Section 3. SUBORDINATE OFFICERS. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and

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shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. COMPENSATION OF OFFICERS. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

Section 5. TERM OF OFFICE; REMOVAL AND VACANCIES. The officers of the corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. If the office of any officer or officers becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

Section 6. CHAIRMAN OF THE BOARD. The Chairman of the Board, if such an officer be elected, shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by these Bylaws. If there is no President, the Chairman of the Board shall in addition be the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in Section 7 of this Article IV.

Section 7. PRESIDENT. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. He shall preside at all meetings of the stockholders and, in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He shall be an ex-officio member of all committees and shall have the general powers and duties of management usually vested in the office of President and Chief Executive Officer of corporations, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 8. VICE PRESIDENTS. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall have such other duties as from time to time may be prescribed for them, respectively, by the Board of Directors.

Section 9. SECRETARY. The Secretary shall attend all sessions of the Board of Directors and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose; and shall perform like duties for the standing committees when required by the Board of Directors. He shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or these Bylaws. He shall keep in safe custody the seal of the corporation, and when authorized by the Board, affix the same to any instrument requiring it, and when so affixed it shall be attested by his signature or by the signature of an Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 10. ASSISTANT SECRETARY. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors, or if there be no such determination, the Assistant Secretary designated by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 11. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys, and other valuable effects in the name and to the credit of the corporation, in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the corporation. If required by the Board of Directors, he shall give the corporation a bond, in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors, for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 12. ASSISTANT TREASURER. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors, or if there be no such determination, the Assistant Treasurer designated by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE V
INDEMNIFICATION OF DIRECTORS AND OFFICERS

(a) The corporation shall indemnify to the maximum extent permitted by law any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The corporation shall indemnify to the maximum extent permitted by law any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(c) To the extent that a director or officer of the corporation shall be successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraphs (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under paragraphs (a) and (b) (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. The corporation, acting through its Board of Directors or otherwise, shall cause such determination to be made if so requested by any person who is indemnifiable under this Article V.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article V.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Article V shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(g) The Board of Directors may authorize, by a vote of a majority of a quorum of the Board of Directors, the corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of

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the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article V.

(h) For the purposes of this Article V, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers so that any person who is or was a director or officer of such constituent corporation, or is or was serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article V with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include service as a director or officer of the corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article V shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The corporation shall be required to indemnify a person in connection with an action, suit or proceeding (or part thereof) initiated by such person only if the action, suit or proceeding (or part thereof) was authorized by the Board of Directors of the corporation.

ARTICLE VI
INDEMNIFICATION OF EMPLOYEES AND AGENTS

The corporation may indemnify every person who was or is a party or is or was threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was an employee or agent of the corporation or, while an employee or agent of the corporation, is or was serving at the request of the corporation as an employee or agent or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including counsel fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, to the extent permitted by applicable law.

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ARTICLE VII
CERTIFICATES OF STOCK

Section 1. CERTIFICATES. Every holder of stock of the corporation shall be entitled to have a certificate signed by, or in the name of the corporation by, the Chairman or Vice Chairman of the Board of Directors, or the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer of the corporation, certifying the number of shares represented by the certificate owned by such stockholder in the corporation.

Section 2. SIGNATURES ON CERTIFICATES. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 3. STATEMENT OF STOCK RIGHTS, PREFERENCES, PRIVILEGES. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 4. LOST CERTIFICATES. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5. TRANSFERS OF STOCK. Upon surrender to the corporation, or the transfer agent of the corporation, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

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Section 6. FIXED RECORD DATE. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders, or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date which shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors.

Section 8. REGISTERED STOCKHOLDERS. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

ARTICLE VIII
GENERAL PROVISIONS

Section 1. DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. PAYMENT OF DIVIDENDS; DIRECTORS' DUTIES. Before payment of any dividend there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interests of the corporation, and the directors may abolish any such reserve.

Section 3. CHECKS. All checks or demands for money and notes of the corporation shall be signed by such officer or officers as the Board of Directors may from time to time designate.

Section 4. FISCAL YEAR. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Section 5. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 6. MANNER OF GIVING NOTICE. Whenever, under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Section 7. WAIVER OF NOTICE. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 8. ANNUAL STATEMENT. The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

ARTICLE IX
AMENDMENTS

These Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the Certificate of Incorporation, at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal Bylaws is conferred upon the Board of Directors by the Certificate of Incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal Bylaws.

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DOMINICK'S FINER FOODS, INC.

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

Blackhawk Developments, Inc.

Blackhawk Properties, Inc.

Dominick's Finer Foods Inc. of Illinois

Save-It-Discount Foods, Inc.

Kohl's of Bloomingdale, Inc.

DFF Equipment Leasing Company

Dodi Hazelcrest, Inc.

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