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Growth of the Circle K Corporation a convenience food store chain

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THE GROWTH OF THE CIRCLE K CORPORATION: A CONVENIENCE FOOD STORE CHAIN

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TABLE OF CONTENTS

CHAPTER I

PURPOSE, OBJECTIVES, AND BACKGROUND ANALYSIS OF THE CONVENIENCE FOOD STORE INDUSTRY

The primary objectives of this study were: (1) identifying, (2) describing, and (3) evaluating the various factors which have led to the development and rapid growth of the convenience food store industry with the Circle K Corporation being emphasized and highlighted.

The growth and development of the convenient food store industry in the United States has been one of phenomenal proportions. Since its beginnings in the late 1940s and early 1950s, the convenient food store industry has grown by unbelievable leaps and bounds and now encompasses the entire nation.[1] Among the top names in the industry are the Southland Corporation (7-Eleven) with 4,787 stores,[2] Munford, Incorporated (Ma-jik Markets) with 1,151 stores,[3] and the Circle K Corporation with 862 stores.[4] Besides these top three

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[1] "The Circle K Story," Convenience Store Journal 9 (February 1973): 9.

[2] "Annual Convenience Stores Franchise Guide," Convenience Store Journal 9 (September 1973): 34-35.

[3] Ibid.

[4] "Circle K Box Score," Counter Talk 10 (October-November 1973): 1.

leaders in the industry, there are numerous smaller corporations involved in the convenience food store business.

It was the purpose of this study to answer the questions of why this industry has grown so rapidly in such a very short period of time and whether its growth will be sustained.

The rapid growth of the convenience food store industry is evidenced by referring to the growth charts in Appendix 1. These growth charts, which illustrate the growth of the Southland Corporation, Munford, Inc., and the Circle K Corporation, are descriptive of the rapid pace at which the convenience food store has become a viable retailing industry in our economy.

For 1973, grocery sales increased by 22.5 per cent, and the number of convenience food stores increased by 15.3 per cent to 20,300. The convenience food stores accounted for approximately 3.8 per cent of total grocery sales with the average convenience store having annual sales of $215,000.[5] Total grocery sales for 1973 were $98 billion with the convenience food store industry accounting for approximately $4 billion of the total.[6]

The convenience stores developed in the Southwest during the 1930s. They operated on a seven day week basis with operating hours being from seven in the morning until eleven

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[5]"Food Retailing," Standard & Poor's Industry Surveys, (New York, N.Y.: November 14, 1974), p. R172.

[6]Ibid., p. R166.

at night. In return for quick service and long operating hours, the convenience store is able to command high selling prices. Due to the quick rate of turnover and moderate inventory requirements, the convenience stores earn a substantially higher return on sales than a supermarket would earn.[7]

The rapid expansion of new stores has been aided by the small investment needed and low preopening costs. Overhead is not used for large advertising outlays or other promotional costs. Also, most stores purchase from local wholesalers or cooperatives thus eliminating warehousing and delivery costs.[8]

The increasing percentage of the American population living in suburbs has also helped stimulate growth. Thus, the need for a small, convenient, all-purpose retail outlet is much greater in the suburbs than in the central city.[9]

Another important factor is the increase of working housewives. These women have less time to spend shopping in a large grocery store and are more concerned with the ease and convenience of shopping in a convenient food store. This trend is expected to continue through the 1970s.[10]

Increased leisure time and recreational activities explain the high level of sales on items such as beer (11.5 per cent of sales), soft drinks (9.1 per cent), and snacks (3.3 per cent). This increase is also expected to continue with

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[7]Ibid., p. R172. [8]Ibid.

[9]Ibid. [10]Ibid.

the advent of the four-day work week and a recreation-minded population.[11]

The maps in Appendix 2 present a geographical picture of the states in which the Southland Corporation, Munford, Inc., and the Circle K Corporation operate convenience food stores. Where stores compete with each other in the same state, there are usually covenants between the competing corporations which give distance restrictions between stores. Circle K competes with 7-Eleven in many states with an agreement which states that their stores must be built at least one-fourth of a mile from each other.[12]

The convenience store started to become a significant factor in American food retailing during the 1950s. It did so by capitalizing on some of the disadvantages of shopping at supermarkets which are listed as follows:

1. Supermarkets are located in busy traffic areas.

2. To get to the supermarket from where they have parked their car, customers often have to walk a long distance.

3. Customers cannot receive personal service in a supermarket because the employees do not know them.

4. Before going to a supermarket, customers often feel they should change into acceptable clothing instead of going as they are to do their shopping.

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[11] Ibid.

[12] Interview with David Barker, Circle K Corporation, Great Falls, Montana, 22 November 1974.

5. Because of the long lines of customers, getting an order checked out in a supermarket often takes a long time.

6. Customers with small orders often have trouble getting their orders checked out quickly.[13]

In 1970 approximately 5 per cent or 12,000 of 230,000 retail food stores in the United States were convenience stores. The prediction made for 1975 was for 20,000 convenience stores to be operating with sales in the neighborhood of $3.5 billion.[14] This prediction was surpassed in 1973.[15]

The net profit of a typical convenience store is between three and six per cent whereas the net profit for a supermarket is between one and two per cent.[16] In comparison with the big chain supermarket averaging approximately $1.2 million in sales per year, the typical convenience food store averages between $150,000 to $170,000 in sales per year.[17] It should be noted that the average inventory cost for a convenience store is between $10,000 and $15,000 while it is between $65,000 and $70,000 for a supermarket.[18]

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[13] The Convenience Store: A New Dimension to the Food Industry (Chicago: The Quaker Oats Company, 1970), p. 23.

[14] Ibid., p. 26.

[15] "Food Retailing," Standard & Poor's, p. R172.

[16] The Convenience Store, p. 65.

[17] "The Return of Mom and Pop," Forbes, 1 July 1969, p. 38.

[18] The Convenience Store, p. 54.

Most shoppers need to add to their large food purchases from week to week with items they have forgotten, run out of, or find that they suddenly need. This need is met by the convenient store. Some advantages of the convenient food store are as follows:

1. Convenience stores are located on main traffic routes or just off main traffic routes where customers can reach them easily.

2. Parking is practically at the front door of the store.

3. The small and simple layout of the store allows the customer to find items quickly and conveniently.

4. The hours of operation allow for customers to make purchases when supermarkets are closed.

5. By providing many product lines, customers can purchase many items found in supermarkets without having to go out of the neighborhood.

6. The convenience store can provide customers with fast service that is courteous and friendly.[19]

Of 9,600 convenient food stores in operation in 1968, approximately one-half belonged to the top three convenient food store corporations.[20] Through use of corporate data and statistics, an historical background of the Southland Corporation, Munford, Inc., and the Circle K Corporation can be presented.

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[19]Ibid., p. 43.

[20]"The Return of Mom and Pop," Forbes, p. 38.

The Southland Corporation of Dallas, Texas is credited with introducing the convenience food store. The father of the current Southland, Chairman John P. Thompson, brought together several Dallas ice companies in 1927 to form the Southland Ice Company. He then began adding food items such as milk and butter in the ice houses. By 1945, the ice business grew into a chain of open front grocery stores called 7-Eleven for their hours of operation.[21]

The Southland Corporation is now the largest operator and franchiser of self-service convenience food stores. They are also a major processor and distributor of dairy products.[22] By December 31, 1973, there were 7-Eleven stores operating in thirty-nine states, the District of Columbia, Canada, and Mexico. Of a total of 4,801 convenience food stores, 1,923 are franchised. Most units are open from 7:00 a.m. until 11:00 p.m. every day including Sundays and holidays. There are also some units with heavy consumer traffic which are open twenty-four hours daily.[23]

Southland also expanded abroad in 1971 with the purchase of a half-interest in a chain of approximately 350 specialty shops located in England and Scotland. They have

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[21] Ibid.

[22] "Southland Corporation," Standard New York Stock Exchange Stock Reports (New York: Standard and Poor's Corporation, 21 August 1973), p. 1.

[23] The Southland Corporation, Annual Report, 1974, p. 2.

similar opening and closing hours to the 7-Eleven stores and sell mainly candy, tobacco products, newspapers, and magazines. Early in 1972, the company purchased a half-interest in a troubled grocery chain of 1,100 stores in England and was able to return the stores to a profitable operation. Southland also has plans for future expansion into Europe, probably in France and West Germany.[24]

The convenience resulting from location and long operating hours has boosted Southland's sales from $179 million in 1961 to $1.1 billion in 1971,[25] and a record $1.4 billion in 1973.[26]

The company also has expanded its non-7-Eleven operation of fleet leasing and dairy product processing operations. Barricini and Loft's Candy Shops, Gristede's Food Stores of New York City, and several other regional convenience store chains are controlled by Southland.[27]

In 1969, in an effort to combat rising costs and growing competition, the Southland Corporation hired the retiring Chief of the Army and Air Force Exchange Service, Brigadier General Joseph S. Hardin, to help develop a distribution

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[24] "The Threat to Southland's Growth," Business Week, 28 October 1972, p. 62.

[25] Ibid., p. 60.

[26] The Southland Corporation, Annual Report, 1973, p. 1.

[27] "Threat to Growth," Business Week, p. 62.

system to replace the private supply houses being utilized.[28]

The first regional warehousing facility was opened in August 1971 in Orlando, Florida, with 160,000 square feet of space. It is the distribution point for Florida and surrounding areas.[29] A second distribution center of 308,000 square feet opened in Tyler, Texas, in August 1973 and serves stores in Texas, Arkansas, Louisiana, Mississippi, and western Tennessee.[30] A third regional center opened in late 1973. It is Fredericksburg, Virginia, and is the largest with 478,000 square feet of floor space.[31]

Herbert E. Hartfelder is the current president of the Southland Corporation. Since he took over the company ten years ago, he has developed it into a billion dollar corporation with earnings of $23 million.[32] Hartfelder is constantly looking for future growth and is steadily strengthening his top and middle management. He is utilizing things such as management games and closed circuit television presentations at the company's training center in Dallas. He is now in the process of inserting a couple of layers of management to prepare for the expanded growth. He states that he will be overstaffed for a while but that it is essential because

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[28]Ibid., p. 61.

[29]"Southland Corporation," Convenience Store Journal 9 (September 1973): 42.

[30]Ibid.

[31]Ibid., 43.

[32]Southland Corporation, Annual Report, 1973, p. 1.

a billion dollar company is not built like a $100 million company.[33]

Munford, Inc. of Atlanta, Georgia, is the operator of the second largest convenience food store system in the United States. Besides this business operation, it also operates cold storage warehouses, ice plants, building supply outlets, and gift stores.[34]

Their convenience stores operate under the names Jackson's Minit Markets, Ma-jik Markets, and E-Z Food Shoppes. They are located in eleven southern and southeastern states and specialize in sales of such fastmoving items as dairy products, bread and bakery products, soft drinks, beer, and many nonfood items. The convenience food store operation has accounted for approximately 80 per cent of the company's sales while the other 20 per cent in sales has come from the operation of their cold storage division, ice and coal division, Do-It-Yourself building supply stores, and World Bazaar import stores.[35]

In 1971, Munford entered into a deal with the Cities Service Petroleum Company so the convenience stores would also have gas pumping facilities for their customers. The deal was administered in three phases. First, gasoline pumps would

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[33] "Threat to Growth," Business Week, p. 62.

[34] "Munford, Inc.," Standard New York Stock Exchange Stock Reports (New York: Standard and Poor's Corporation, 14 September 1973), p. 1.

[35] Ibid., p. 2.

be added to existing Munford convenience stores; secondly, Munford would add stores to existing CITGO stations; thirdly, Munford and Cities Service would construct all new convenience stores with gas stations. It is estimated that added profits could range between 25 per cent and 50 per cent. The main reason for this is that in a combination store of this type, the customer could charge groceries on his oil company credit card.[36]

Executive Vice President Robert Blythe stated that Munford plans to expand north and west at the rate of one hundred stores a year.[37] In 1972 the company had a record $155 million in sales. This figure was expected to rise by 25 per cent in 1973 due to the opening of two hundred new convenience stores which is above the expected number per year stated previously by Mr. Blythe.[38] The 1973 sales figure was $198.5 million which was very close to the expected goal.[39]

The Circle K Corporation, a Texas corporation with its headquarters in Phoenix, Arizona, has grown from three stores in 1951 to the high ranking of third in the industry by 1972. At the end of 1972, the company was operating 740 stores in the states of Arizona, California, Colorado, Idaho, Montana,

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[36]"Climbing Aboard," Forbes, 1 November 1971, p. 65.

[37]Ibid.

[38]"Munford, Inc.," Standard New York Stock Exchange Stock Reports, p. 1.

[39]Munford, Inc., Annual Report, 1973, p. 13.

Oregon, New Mexico and Texas. The company extended its territory into Oklahoma and Kansas with the purchase of twenty-six Quick-Shop Stores in February of 1973.[40]

In November of 1973, the company announced plans of moving its operations into Utah. This resulted in the eleventh state of operation for the company and necessitated the establishment of a new division. Plans are in the making for a great many stores to be built in and around the Salt Lake City area.[41]

Through a conversation with David Barker, Assistant Vice President and Area Manager to Montana for Circle K, it was learned that the company would expand its operation into Washington with the opening of stores in the Spokane area in December of 1974. This was the twelfth state for Circle K and Mr. Barker forsaw a great expanse of operations in this area developing over the next few years.[42]

The Circle K stores sell foodstuffs, alcoholic beverages, health and beauty aids, ice, newspapers, magazines, and many other miscellaneous items. Over half of the stores operate self-service gasoline pumps and such services as check

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[40]"The Circle K Story," Convenience Store Journal: 9.

[41]"Circle K Moves Into Utah," Counter Talk 10 (October-November 1973): 4.

[42]Interview with David Barker, Circle K Corporation, Great Falls, Montana, 22 November 1974.

cashing, and selling of money orders and film processing have become regular features.[43]

All stores are self-service, cash and carry. They are open from 7:00 a.m. until 11:00 p.m. daily and some are open twenty-four hours per day. Sales are mainly directed toward early and late shoppers and those who shop on weekends and holidays. Most sales involve only two or three items. Items carried in the stores are usually priced higher than in the supermarkets.[44]

Circle K's growth plans called for one thousand stores to be either open, under construction, or construction pending by April 30, 1973, the end of their 1973 fiscal year.[45] Mr. Barker confirmed that this goal was achieved and that the growth plans for Circle K called for even greater expansion in the future.[46]

Circle K began construction of a new corporate office and distribution center complex in Phoenix in order to meet the mounting needs of the convenience stores. It was completed in the spring of 1974 and provides 35,000 square feet of space.[47] Distribution activities in the new complex consist

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[43]"Circle K," Standard American Stock Exchange Stock Reports (New York: Standard and Poor's Corporation, 11 September 1973), p. 1.

[44]Ibid.

[45]"The Circle K Story," Convenience Store Journal: 9.

[46]Interview, Mr. David Barker, 23 November 1974.

[47]"The Circle K Story," Convenience Store Journal: 9.

of a general merchandise division, dairy division, print shop, and a new ice plant. Provisions were also being made for eventual expansion of the facility to 80,000 square feet.[48]

While it took fifteen years to achieve the $100 million mark in sales, Circle K attained 58 per cent of its sales volume in the last three years. With current projections for the future, the company expected to reach the $200 million mark by the end of fiscal year 1974.[49] The sales figure at the end of fiscal year 1974 was $192 million which was $8 million short of the projected figure.[50]

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[48]Ibid., p. 15.

[49]Ibid., p. 20.

[50]The Circle K Corporation, Annual Report, 1974, p. 11.

CHAPTER II

DESIGN OF THE STUDY

It is evident from the background analysis that the convenient food store industry has been very profitable for the Southland Corporation, Munford, Inc., and the Circle K Corporation. It is also evident that these companies are planning for great expansion in the future.

As stated in the objectives of this study, the Circle K Corporation will be emphasized in depth in this paper. The writer has identified, described, and evaluated information pertaining to Circle K's past, present, and future growth. Of great importance was the use of interviews to gain a better understanding of the methods of decision making and problem solving utilized by Circle K officials.

In an effort to study the operation of the corporation through its different chains of responsibility, interviews were conducted with David Barker, Assistant Vice President and Area Manager for Montana, William Anderson, Division Manager for Montana, and Guy Dodge, Zone Manager for Great Falls, Montana. The main areas of interest in these interviews were personnel policies and procedures, problem areas, and middle level decision making techniques.

The use of computer programs was also helpful in analyzing the position of Circle K in the convenience food store industry. Through the use of these programs, a financial analysis was conducted involving Circle K, the Southland Corporation, and Munford, Inc. The data utilized in the analysis transmitted information pertaining to past, present, and future growth patterns. Such information was helpful in forecasting the growth of Circle K.

The sale-leaseback arrangement of store acquisition was studied in depth through the cooperation of Mr. Barker and Mr. Mark James Mead, Area Office Manager. Mr. Mead also provided material concerning the contract-operated stores.

Lastly, through the cooperation of Guy Dodge, Zone Manager for Great Falls, a survey questionnaire was placed in the nine Circle K stores located in Great Falls in an effort to receive an opinion on how the consumer views Circle K. This information was analyzed and formulated in a way so that the data could be of use to the writer and to the Circle K Corporation.

CHAPTER III

THE CIRCLE K CORPORATE STRUCTURE

Rapid growth as evidenced by Circle K creates a challenge to management to keep pace with the increasing complexities of a fast-developing enterprise. Circle K approaches this task with a viewpoint that holds that the decision making function works best when the lines of authority remain short, and communications can flow back and forth with freedom and a minimum of delay. The corporate management structure is designed to rest major decisions within two groups of executives. These groups are the Executive Policy Board and the Board of Management. Decisions of policy affecting the long-range plans of the company are decided by the Executive Policy Board.[1] Major policy decisions, modifications in external and internal store designs, new products and product-mix, advertising, promotions and employee programs are examples of functions performed by this board. It is their responsibility to implement government regulations involving the grocery business and to also keep tabs on inflation and product shortages.[2]

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[1]"The Circle K Story," Convenience Store Journal: 10.

[2]The Circle K Corporation, Annual Report, 1974.

Operating decisions come under the jurisdiction of the Board of Management. It is the purpose of this board to handle the everyday business of running the operations of the corporation and to make those decisions which affect the operating store.[3]

From top to bottom, Circle K's corporate structure appears as follows:

1. Executive Policy Board (seven top officers of the firm)
    a. Fred Hervey, Chairman of the Board
    b. Glover W. Beeny, President
    c. Robert E. Hutchinson, Executive Vice President
    d. Darrell D. Sigfridson, Secretary-Treasurer
    e. Robert Charles, Vice-President
    f. Albert Felix, Vice-President[4]
2. Board of Management (Executive Vice-President and fourteen Assistant Vice-Presidents who are also Area Managers)
    a. Robert E. Hutchinson, Executive Vice-President
    b. Leonard Mack, Assistant Vice-President, Area Manager, El Paso, Texas
    c. Gary Pipkin, Assistant Vice-President, Area Manager, Corpus Christi, Texas

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[3]"The Circle K Story," Convenience Store Journal: 10.

[4]The Circle K Corporation, Annual Report, 1974.

d. Ernest Espinosa, Assistant Vice-President, Area Manager, San Antonio, Texas

e. Frank Smith, Assistant Vice-President, Area Manager, Amarillo, Texas

f. James Johnson, Jr., Assistant Vice-President, Area Manager, Salem, Oregon

g. Clarence Schabinger, Assistant Vice-President, Area Manager, Boise, Idaho

h. David Barker, Assistant Vice-President, Area Manager, Great Falls, Montana

i. Charles James, Assistant Vice-President, Area Manager, Phoenix, Arizona

j. Fred Kight, Assistant Vice-President, Area Manager, Phoenix, Arizona

k. Donald S. Peak, Assistant Vice-President, Area Manager, Albuquerque, New Mexico

l. Joe D. Clark, Assistant Vice-President, Area Manager, Tucson, Arizona

m. Robert Perona, Assistant Vice-President, Area Manager, Indio, California

n. Jack Kososkie, Assistant Vice-President, Area Manager, Fontana, California

o. Frank Miller, Assistant Vice-President, Area Manager, Carmichael, California[5]

3. Division Managers

4. Zone Managers

5. Store Managers

6. Assistant Store Managers

7. Clerks[6]

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[5]Ibid.

[6]"The Circle K Story," Convenience Store Journal: 10.

The Executive Vice-President, Robert E. Hutchinson, is a member of both the Executive Policy Board and the Board of Management. In this way, major policy decisions of the company are translated into action with a minimum of red tape. Mr. Hutchinson is responsible for the supervision of all the area managers and their training in company-held workshops and sales meetings. These workshops are effective in that they strive to better the flow of communications between operations in the field and the corporate headquarters.[7]

With 947 stores operating as of April 30, 1974, Circle K depends on its area, division, and zone managers to keep things running smoothly and efficiently. Area managers operate out of fourteen offices throughout the twelve-state Circle K territory. (See Appendix 2) Each area manager directs the activities of from one to four division managers. Each division manager controls from thirty-five to forty stores, on the average, working through zone managers who directly supervise from eight to ten stores each.[8]

Division managers operate as heads of their division. Each week the division managers meet with their zone managers to discuss operational problems and merchandising opportunities. In the Montana Division, William Anderson, the division manager holds a weekly meeting every Saturday at the Division/Area Office in Great Falls. David Barker, the

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[7]Ibid., 11.

[8]The Circle K Corporation, Annual Report, 1974.

area manager, is also usually in attendance for the meeting with the zone managers. Mr. Anderson is responsible for buying major product categories for his division and the weekly meeting serves to review this important function. The zone manager has actual responsibility to obtain each store's order requisition, which the store manager develops using the corporation's order guide which is updated periodically. Zone managers are informed prior to the updating of the order guide so that additions, deletions, and changes can be decided prior to the new printing. Also discussed at the weekly meetings are new corporate policy decisions, merchandising problems, and any other problems connected with store operations.[9]

Lee Borchert, the other division manager under Mr. Barker, has control of the Eastern Washington and Northern Idaho Division. Due to the great distances involved for travel between stores upon the expansion of Circle K into Washington in 1973, the division which Mr. Borchert heads was created in order to provide better control over store operations in that portion of the Montana area. Prior to the establishment of the new division, the Montana Division Manager had control of the entire area.[10]

On the local level, Guy Dodge is the zone manager for Zone 2511. As manager of this zone, he supervises the

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[9]Interview with David Barker, 7 July 1974.

[10]Ibid.

operation of nine stores in Great Falls, Montana and one store in Fairfield, Montana. The major responsibilities of the zone manager are the screening and hiring of applicants for employment, merchandise control, and overseeing the training of the store employees. Since being a zone manager, Mr. Dodge has initiated a salary program which establishes a step process for merit pay raises and promotions. (See Appendix 3) Mr. Dodge stated that merchandise control is the number one problem with which he has to contend. Price changes occur once a week and all items in the store must be updated with new prices. The gross margin of sales on store items ranges from 15 per cent to 40 per cent. The pricing guideline sheets in Appendix 4 are evidence of this. Even though the prices are higher than supermarkets, Mr. Dodge points out that Circle K sells convenience to the customer and does not compete with large food stores with grocery specials.[11]

Another problem that Mr. Dodge has is inventory shortage. He states that only about 2 per cent of inventory shortage is due to customer shoplifting. The remaining 98 per cent comes from vendor and employee pilferage. The problem with vendor pilferage is being remedied by tighter control over incoming stock. The employee pilferage problem is hard to correct. It is the feeling of Mr. Dodge that the typical employee making $2.50 per hour feels that he or she is entitled

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[11]Interview with Guy Dodge, Circle K Corporation, Great Falls, Montana, 28 January 1975.

to something extra and therefore takes items out of the store.[12]

Stores were to be operated on a contract basis starting in 1975 with an individual store contract manager controlling the entire operation of his store. Mr. Dodge was then to assume the responsibility of being an advisor to contract managers in his zone of operation. It was his feeling that the contract system of operation would further reduce employee pilferage since many of the contract operated stores would be run be family members of the contract manager.[13] The concept of the contract operated store will be studied further in Chapter VI.

In its program of expansion, Circle K has mainly taken the route of expanding internally through new store development. Of all its stores in operation, only forty-six have been acquired through acquisition. As the company looks to the future, acquisitions may play an important role in reaching its stated goal of four thousand stores in operation by 1980.[14]

As it pursues its expansionary policy, the company's site selection program has become very important. The real estate department employs the professional counseling of realtors in its various operating divisions. These men are aware

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[12]Ibid.

[13]Ibid.

[14]"The Circle K Story," Convenience Store Journal: 18.

of the Circle K building program and constantly contact major builders in the area, analyze promising sites, and gather necessary information on which to make a decision. Circle K then follows up by utilizing traffic studies, population trend studies, and other sophisticated systems of checking out potential sites. Once a site has been carefully studied, the Corporate President, Glover Beeney, or another member of the Policy Board, personally approves or disapproves the site.[15]

In the 1974 Annual Report for the Circle K Corporation, the Chairman of the Board, Fred Hervey, states that "the staff concept utilized by the corporation has matured and the long range plans of steady growth will be attained with confidence to meeting new challenges."[16]

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[15]Interview with David Barker, 7 July 1974.

[16]The Circle K Corporation, Annual Report, 1974.

CHAPTER IV

POLICY, PROCEDURE, AND EMPLOYEE BENEFITS

The philosophy of Circle K is built around the concept that the overall goal of the corporation is the establishment and maintenance of a profitable business operation. In an effort to accomplish this goal, the employees' individual needs are considered very important in order to maximize job satisfaction. The employees are given the degree of responsibility which will let them feel that they are participating in the growth of the organization.[1]

In order to see that the goal of the corporation is carried out, the firm stresses the importance of customer relations to the employee. Customers are to be considered Very Important People (VIP), and the following should be done in relation to them:

1. Always greet the customer with a smile and a friendly hello.
2. Assist the customer in finding merchandise in the store.
3. Make the customer feel that his business is wanted by both you and Circle K through your friendliness.

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[1] Interview with David Barker, 7 July 1974.

4. When the customer comes to the checkstand, offer any extra assistance. Always ask the customer if there will be anything else before ringing up his order. Such suggestive selling shows the customer that you are interested in him and it may also remind him of something he may have forgotten.

5. Thank the customer and ask him to come back again.[2]

The Munford Corporation has done some studies and has come to find that the average customer is in a convenience food store for only three and one-half minutes and spends \$1.15.[3] In order to see that the customer returns to the store, the customer relations involved are very important.

Personnel Policies

Hiring of Personnel

Applicants for employment with Circle K can either make their initial contact for employment with Circle K at the central office or at one of the stores. If contact is made at a store and the store manager is favorably impressed by the applicant, a recommendation is made to the zone manager who further screens the applicant. The final decision for or against employment rests with the zone manager. Under no circumstances will anyone under age sixteen be employed by Circle K.[4]

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[2] Circle K Corporation Policy and Procedures Guide, 1973, p. 1.

[3] Munford, Incorporated, Annual Report, 1973.

[4] Policy and Procedures Guide, p. 7.

Uniforms

Male employees are required to wear a plain white shirt, black tie, and dark trousers. Female employees are required to wear a plain white blouse with a dark skirt or dark slacks. Shirts and blouses are available at cost through the company.[5]

Training

Training and management programs are available for any employee who wishes to develop himself for advancement in the corporate structure. Participation in such programs are noted on the employee performance rating sheets noted in Appendix 3.[6]

Grievance Procedures

When an employee feels that he or she has a logical and legitimate grievance or complaint, the company procedure as outlined below is to be followed:

1. The employee must state his grievance in writing, giving full details to his supervisor.
2. The immediate supervisor will take necessary action to settle the grievance.
3. If the grieved is not satisfied, both the grievance and immediate supervisor's action will be given to the Area Manager for proper action.

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[5] Policy and Procedures Guide, p. 7.

[6] Ibid., p. 8.

4. A grievance which cannot be alleviated by the supervisors will be given to the area grievance committee for final processing.[7]

General Rules

The Circle K Corporation has established certain rules and regulations which are to be followed by all employees. It is important to the corporation that the rules be followed so that the human element, which contributes to the growth of the firm, can be maximized.[8] The following is a list of offenses which can bring about consideration for dismissal:

1. Possession of, or drinking, alcoholic beverages on the premises, or possession of narcotics.
2. Repeated tardiness or absenteeism.
3. Dishonesty of any kind.
4. Violation of fire, safety, and civil regulations.
5. Selling alcoholic beverages to minors.
6. Misconduct, such as defacing property, fighting, gambling, loafing, sleeping on the job, or possession of lethal weapons while on the job.
7. Taking company property without authorization.
8. Insubordination, or being discourteous to customers or fellow employees.
9. Falsifying time sheets or other records.

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[7] Interview with David Barker, 7 July 1974.

[8] Ibid.

10. Inability to secure or maintain a health certificate.

11. Violation of any announced company policy.[9]

Employee Benefits

The Circle K Corporation feels that the benefits provided its employees are very equitable and are comparable to the benefits supplied by competitors. Following is a list of all benefits enjoyed by Circle K employees with a brief description of each:

1. Paid holidays--The corporation observes six paid holidays annually. They are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Should any of the above holidays fall on a Saturday, it will be observed on the Friday preceding it. Should the holiday fall on a Sunday, it will be observed on the following Monday.

2. Group life insurance--There are two types of life insurance available to Circle K employees. They are term life and permanent life. The term life covers the employee while employed by the corporation. The permanent life which also covers the employee while employed by Circle K can be converted to a private policy upon termination of employment. The company pays one-half the premium of the term life insurance and pays a portion of the permanent life insurance.

3. Sickness and accident indemnity--The company makes available an insurance plan covering two-thirds of the salary of an employee if he or she is off work because of illness or accident. The company pays one-half of the premium charge for this coverage.

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[9] Policy and Procedures Guide, p. 9.

4. Group health insurance--This health insurance plan is available for the employee and his family. The company pays one-half of the premium.

5. Workman's Compensation insurance--All employees are covered by Workman's Compensation insurance either through the State Industrial Insurance or a commercial insurance company. The cost is paid entirely by Circle K. In addition to having medical bills paid, if time is lost due to an on-the-job injury, the employee is entitled to a compensation equal to two-thirds of his average weekly base pay. This entitlement is paid after a specified waiting period.

6. Fred Hervey Interests Employees Benefit Plan--This plan is established for employee retirement. The employee must wait three years before he is eligible for the plan. He must then contribute 2½ per cent of his gross salary to the plan. The company contributes two dollars for every one dollar invested.

7. Stock Purchase Plan--Circle K common stock may be purchased by a payroll deduction authorization. This gives the employee the advantage of becoming a part-owner and share in the profits of the corporation through stock dividends and appreciation in value. Monthly payroll deductions may be authorized in any amount to a maximum of $99. The company pays the brokerage fee and the employee receives a monthly statement of shares accrued.

8. Old Employees Organization--The employee is eligible to join the organization after six months employment. The organization is formed to promote inter-employee relations. The employee makes a very nominal contribution monthly through payroll deduction. The employee's contribution is matched by the company. The funds are normally used for social activities such as banquets and picnics.

9. Employee discounts--When an employee has been employed by Circle K for thirty days, he may purchase merchandise at a 20 per cent discount, excluding gasoline sales, from any Circle K store.

10. Vacations with pay--After one year of continuous full-time employment with Circle K, the employee will be entitled to a one week paid vacation. After two years continuous employment, the entitlement is two weeks paid vacation. After the fifth year, entitlement is three weeks.

11. Suggestions and Awards--A suggestion and awards committee evaluates employee suggestions and awards cash for those suggestions which result in a direct saving or profit.[10]

With such benefits offered to the employees, they take part in the growth of the firm. Mr. Barker sums up this important area by stating, "The growth of the organization depends on the high degree of employee satisfaction and participation. Without good personnel policy and employee benefits, Circle K would not have experienced the rapid growth which it has experienced during the past few years."[11]

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[10]Policy and Procedures Guide, pp. 3-4.

[11]Interview with David Barker, 7 July 1974.

CHAPTER V

FINANCIAL ANALYSIS

In order to gain a better understanding of how the corporation handles financial decisions, this paper will now describe the costs of operating stores, breakeven analysis, and the financial analysis used in sale/leaseback decision making.

The tables in Appendix 5 are indicative of the analysis used for store operations. Table 1 is a guideline sheet showing the percentages that a store manager should try to arrive at in order to make a 6 per cent net profit. The guideline percentages were used on Tables 2 and 3 to present the data that should have been presented in order for the stores exemplified to gain a 6 per cent profit. The stores used as examples in Tables 2 and 3 are located in Great Falls, Montana. The location of each was withheld by the management at the Area Office in Great Falls.

Table 2 is actual annual data for a profitable store during calendar year 1974. By comparing the actual data with the guideline data, the store shows a good operation for the year with a total net profit of $27,744.90 or 8.29 per cent of total sales. In this case, the gasoline sales with a high net profit of $13,572.06 or 21.26 per cent of total gasoline sales made up for the low grocery sales of $14,172.84 which was only 5.23 per cent of total grocery sales. It is evident that without the high percentage of gasoline sales, the store would not have done as well as it did.

Table 3, which is similar to Table 2, shows data for an unprofitable Circle K store during 1974. In this case, the main problem was massive store expenses which accounted for 34.44 per cent of sales. This is far above the guideline limit of 19.15 per cent. Due to the large amount of expenses, the store lost $5,959.27 for the year.

Table 4 presents a breakeven analysis for the store which was referenced in Table 2. Table 5 presents the analysis on the store referenced in Table 3. The profitable store made sales far above its breakeven point while, as expected, the unprofitable store fell short of its breakeven point.

The analysis techniques used by the Circle K management do not include guideline comparisons or breakeven analysis. If such techniques were used, the manager would have a good idea of where the problem areas are in the operation of a particular store and also be able to make predictions of breakeven sales in order to cover operating costs.

The attention of the paper is directed toward sale/leaseback. When a company cannot acquire an asset with present capital, they may finance its acquisition with debt. This is done by obtaining the economic value of the asset for the loan payment which will collectively equal the initial cost of the asset plus an interest charge in excess of the initial cost of the asset. The firm would have a legal obligation to make lease payments for the economic value of the asset or for a well-defined period of time. In leasing, the total payments the lessee agrees to pay will exceed the purchase price of the asset.

There are two basic methods of lease financing. They are sale-leaseback and direct leasing. The sale-leaseback arrangement as used by the Circle K Corporation provides for the purchase of a store and associated property by a party. This party then leases the store back to the corporation. The corporation receives the sales price in cash and contracts with the purchasing party to establish lease payments during the basic lease period.[1] Lessors that utilize this arrangement are usually finance companies, institutional investors, insurance companies and leasing companies.[2] In the case of the Circle K Corporation, the Chrysler Realty Company holds the majority of the Circle K stores in lease. The minority of the leases are held by reliable individuals.[3]

Leasing provides the firm with the opportunity to secure and utilize an asset without incurring the initial costs and responsibilities of the purchase.[4]

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[1]Interview with David Barker, 22 November 1974.

[2]James C. Van Horne, Financial Management and Policy, 3rd ed. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974), p. 576.

[3]Interview with David Barker, 22 November 1974.

[4]Thomas C. Committee, Managerial Finance for the Seventies, (New York: McGraw-Hill, Inc., 1972), p. 63.

As listed in James Van Horne's book, Financial Management and Policy, there are several advantages and disadvantages to lease financing. The advantages are as follows:

1. Flexibility. The firm is flexible in that the lease payments occur over time thus avoiding financing through debt which could be more expensive.[5]

2. Lack of restrictions. Leasing usually has less restrictions than those found in loan agreements.[6]

3. One hundred per cent financing. Through leasing the firm can use an asset without having to make a downpayment or initial equity investment.[7]

4. Treatment in bankruptcy and reorganization.[8]

5. Tax considerations. The lease payment can be deducted as an expense for federal income tax purposes.[9]

6. Accounting treatment. In a leasing arrangement, the company can use an asset without carrying a liability on the books of the firm. At the present time, all that is needed for an audit is a footnote on the financial statement.[10]

Along with the advantages just noted there are two major disadvantages that follow:

1. Residual value. Since a company in a lease agreement does not own the asset being leased, the residual or terminal value of the leased asset goes to the lessor.[11]

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[5]Van Horne, Financial Management and Policy, 3rd ed., p. 577.

[6]Ibid. [7]Ibid., p. 579. [8]Ibid. [9]Ibid.

[10]Ibid., p. 580-81. [11]Ibid., p. 583.

2. Interest cost of leasing. The interest cost for leasing is usually higher than the interest cost of debt.[12]

There are two major methods utilized to analyze the alternatives of leasing and borrowing. The first of these is the present-value analysis of alternatives. In this process, the cash outflows of each alternative are analyzed with the lowest present value being the most desirable. Below is the formula used for this method:

$$NPV = \sum_{t=o}^{n} \frac{A_t}{(1 + k)^t}$$

NPV = Net Present Value
A = Cash outflow for period t
k = Discount rate[13]

The second method used is internal rate of return analysis. By computing the internal rates of return, a rate of discount that equates the value of lease payments can be arrived at. The equation used for this procedure is as follows:

$$A_o - \sum_{t=o}^{n} \frac{L_t}{(1+r)^t} + \sum_{t=o}^{n} \frac{T(L_t - P_t)}{(1 + r)^t} = 0$$

A = Cost of the asset to be leased
n = Number of periods to the end of lease
L = Lease payment at the end of period t
T = Corporate tax rate

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[12]Ibid.

[13]Ibid., p. 586-87.

P = Depreciation in period $_t$ that would be applicable if the asset were owned[14]

r = Internal rate of return

The Circle K Corporation has found the sale-leaseback arrangement to be very profitable for accelerated growth and expansion. David Barker, Area Circle K Manager for Montana, Northern Idaho and Eastern Washington, stated that by building stores, selling them, and then leasing them back, the flow of capital is such that a procedure of reinvestment goes on and on allowing the establishment of new stores at a rapid pace. All leasing arrangements are culminated at the corporate headquarters in Phoenix, Arizona. As stated in the introduction, the main leasing agent is Chrysler Realty which is a subsidiary of Chrysler Corporation, the automotive giant.[15]

A realistic example of a lease agreement between the Circle K Corporation and a lessor has been assembled by utilizing realistic financial figures supplied by Mr. M. J. Mead, Montana Division office manager for Circle K.

The price of an average store and associated property is $60,000. At the present time, the average lease on a store is for a period of twenty years with three five-year options extended to the basic term of the lease. The lessee (Circle K Corporation) has the choice of exercising the extended options. If the option is to be taken, the lessee will supply the

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[14]Ibid., p. 588-89.

[15]Interview with David Barker, 22 November 1974.

lessor with a written notice ninety days prior to the expiration of the primary lease.[16]

The tables in Appendix 6 illustrate the different methods utilized in order to make a decision whether to lease or use debt financing. The following information given me by Mr. Mead is typical of an average Circle K store and is the basis for the data presented in Appendix 6.

Cost of asset	\$60,000
Economic life	20 years
Percentage rate of lease	8% of cost plus 2% gross sales
Interest rate of debt	10%
Tax rate	50%
Opportunity cost of funds	10% after tax

With the data presented above, calculation of lease payments and loan payments are as follows:

Calculation of Lease Payment:

$$\$60,000 = \sum_{t=o}^{19} \frac{x}{(1.08)^t}$$

$$\$60,000 = x + 9.6036$$

$$x = \frac{60,000}{9.6036}$$

x = \$6,248 (lease payment per year) plus \$3,600

Total payment = \$9,848

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[16] Interview with M. J. Mead, Circle K Corporation, Great Falls, Montana, 5 December 1974.

The \$3,600 figure is 2 per cent of the average break-even gross sales of \$180,000 per year. The 2 per cent of gross sales figure is stipulated in the lease agreement and is a bonus for Chrysler Realty in addition to the normal lease payment.

Calculation of Loan Payment:

$$\$60{,}000 = \sum_{t=1}^{20} \frac{y}{(1.10)^t}$$

$$\$60{,}000 = y + 8.5136$$

$$y = \frac{60{,}000}{8.5136}$$

$$y = \$7{,}048 \text{ (loan payment per year)}$$

Table 1 in Appendix 6 illustrates the schedule of cash outflows using the leasing alternative. Note that the present value of cash outflows over the twenty year period totals \$50,271. In order to calculate the present value of cash outflows using the debt financing alternative, the interest payments must first be calculated. Table 2 illustrates the annual interest charges for the twenty year period. Now that the interest has been calculated, it can be used in Table 3 to aid in the calculation of the present value of cash outflows using debt financing. Notice that the total present value of cash outflows over the twenty year period using debt financing is \$26,758. By comparing the present value totals in Tables 1 and 3, the debt financing alternative seems to be more attractive due to a smaller figure for total cash outflows.

The next method of decision making utilized is the internal rate of return analysis method. In Table 4, the cash flows are presented for the twenty year period. By solving for the rate of discount in Table 5, we find it to be 9.70 per cent. This is the after-tax cost of lease financing. The after-tax cost of debt financing is the before-tax interest cost times one minus the tax rate. Thus, 10(1-0.5) = 5 per cent. Using this method of analysis, debt financing is preferred because the effective yield is less than that of lease financing.

The decision to lease or borrow can be made taking the lowest present value of cash outflows or the lowest after-tax internal rate of return. The internal rate of return method is favored because it does not require one to specify a discount rate.

It is evident from discussions with both Mr. Mead and Mr. Barker that they feel that lease financing of the stores gives them more operating latitude since all monies are not tied down in debt financing although the data presented favors debt financing. By leasing, the expenses incurred in lease payments amount to a sizeable tax deduction for the corporation. The number of stores now in operation in the corporation number almost one thousand at this time and they generated an after-tax net earnings of $4,751,084 in the year ended April 30, 1974. The Circle K management has adopted a policy of rapid expansion. An example of this expansion would come in late 1975 with the opening of approximately fifteen new stores in Central and Eastern Montana. The company would continue to build stores on specially selected sites for sale-leaseback procedures, keeping sales and profits uppermost in mind.[17]

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[17]Interview with David Barker, 22 November 1974.

CHAPTER VI

SUMMARY

The structure of the Circle K Corporation has grown at a rapid pace during the past few years. Being located in the western part of the United States has been a detriment in the aspect of high costs due to the transportation rates charged for merchandise to be delivered to the stores. This is especially true in Montana where towns are a great distance from each other. In an effort to solve this problem, the corporation is trying to consolidate new store construction to areas where stores are already operating or along main transportation routes in new areas.

The long operating hours and convenient suburban locations of the convenience food stores have contributed to their rapid growth. This, coupled with the consumer buying habits brought about by suburban living and increased leisure activities, justifies their sustained growth in the future. As the Circle K Corporation grows larger, the high costs of supplying stores with inventories will undoubtedly bring about regional warehousing facilities similar to those used by the Southland Corporation and Munford, Inc.

Personnel policies are of great importance to the Circle K Corporation. It is their intention to offer the kind of benefits which foster good management/employee relationships. The benefit package and bonus programs help to offset the detraction of low salaries which are common in the convenience food store industry.

The concept of operating stores on a contract basis went into effect on January 1, 1975. Under this kind of operation, each store is under the control of a contract manager. This manager receives a salary which is guaranteed by the contract so that he will be able to receive a paycheck even if his store loses money. The Circle K Corporation feels that by using a contract operation of stores, the manager will take pride in the operation and produce greater profits for the company and himself. Depending on the sales of the store, the corporation receives from 12 per cent to 13.5 per cent of the gross sales. Anything left over goes to the individual store manager. Another important aspect of the contract operation is that the zone manager will become more of an advisor for the stores assigned to his zone. Under such a capacity, the corporation feels that existing zones can be consolidated thus reducing the number of zone managers by approximately 40 per cent to 50 per cent. Since the zone managers are paid from money in the general and administrative account, this will substantially reduce that expense. A copy of such a contract is supplied in Appendix 7.

The financial stability of the Circle K Corporation is very sound. Tables 1 through 6 of Appendix 8 present pro forma information, trend analysis, and operating ratios for the Circle K Corporation and Munford, Inc. These two companies were chosen for comparison due to their similarity in size. With the aid of Dr. Roger Hayen of the University of Wyoming, the computer program entitled FIAN was utilized to present the data shown in the tables previously mentioned in Appendix 8. The trend analysis depicts the growth of each company over the past three years. In order to make future projections of growth for each company, the computer program entitled FIPRO was used. This program used actual 1973 information for each company and made projections for balance sheet and income statement data through 1978. It must be remembered that this program is only a projection tool and may not be accurate in the coming years. Such things as economic conditions and corporate decisions are not considered in this program. The information obtained by the FIPRO program can be found in Tables 7 and 8 of Appendix 8.

The management training programs used by Circle K seem to be inadequate. From discussions with the managers in the Montana area, it was evident that they do not have any training in the use of management tools to help them in decision making. The managers expressed their desires of being trained in such techniques, but stated that the only person who presently received such training was the area manager. The division and zone managers are in need of a training program along these lines because they could possibly solve many problems before they got to the area manager's level. A solution would be to set aside two or three hours at the weekly meetings of zone and division managers for a management tool workshop. The goal of having better trained and more knowledgable managers would be well worth the training time expended. All managers interviewed expressed these desires.

Consumer reaction is of great importance to the Circle K Corporation. There has been a great deal of study done in the measurement of attitude and awareness. Much of the current work in the use of attitude scales can be traced to L. L. Thurston and other psychometricians of the late 1920s.[1] The semantic differential scale is the scale most widely used in measuring attitude.[2] It consists of pairs of antonyms placed on opposite ends of a scale. There are several factors that should be considered in the development of a semantic differential scale. These factors are the following: (1) whether a balanced or unbalanced scale should be used; (2) what type of scale should be used--numerical, graphic, verbal or some combination; (3) number of steps on the scale; (4) whether the scale should be forced or nonforced type; (5) the selection of antonyms.[3] A balanced scale has

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[1]David G. Hughes, Attitude Measurement for Marketing Strategies, (Glenview, Illinois: Scott, Foresman and Company, 1971), p. 90.

[2]James F. Engle, David T. Kollat, and Robert D. Blackwell, Consumer Behavior, 2nd ed. (New York: Holt, Rinehart and Winston, Inc., 1973), p. 453.

[3]David G. Hughes, Attitude Measurement for Marketing Strategies, p. 92.

the Q-Sort technique, the Staple scale, the Gultman scale and the customer prototypes procedure.[6]

There are three prime methods of data collection. These are the personal interview, the mail survey, and the telephone survey.[7] There are certain advantages and disadvantages associated with each survey method. The personal interview has the advantage of giving the best information and of having a low rate of nonresponse; it also is likely to be the most expensive and has the greatest danger of interviewer bias. The telephone interview is advantageous in that it is the fastest method of obtaining information and nonresponse is generally very low. Its disadvantages are that interview periods must be kept very short and questions must be short and simple. The mail survey offers relatively low cost, no interviewer bias, and affords the respondent the choice to answer at his leisure. The disadvantages of a mail survey are indeterminable bias due to nonresponse, the nonresponse rate is higher than in personal (and telephone) interviews, and the response is the slowest of the three methods.[8]

The population for the study was limited to Circle K customers in the nine Great Falls, Montana stores. The method used to obtain the data for the study was in the form of the

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[6]Engel, Kollat, and Blackwell, <u>Consumer Behavior</u>, p. 454.

[7]Julian L. Simon, <u>Basic Research Methods in Social Science</u>, (New York: Random House, 1969), p. 252.

[8]Ibid.

mail questionnaire. The store clerks gave out the questionnaire to customers on a random basis and asked that they be brought back on their next visit to the store. Fifty questionnaires were used in each store. Of 450 questionnaires given out, 423 were completed and returned for a 94 per cent response. This type questionnaire was chosen because of the ease of use and the lower cost as compared to other data collection methods. The aided recall technique was used to obtain a measure of awareness. The semantic differential scale was also chosen because it is widely accepted and it is relatively simple and easily interpreted. An unbalanced scale was used to force a positive or negative opinion. A combination verbal-numerical scale was used with each scale having six intervals and offering a no-opinion answer. The customers did not have to sign the questionnaires and were provided with an envelope in which to return the questionnaire to the store clerk.

Studies have shown that bias can be caused by the order in which the questions are asked, and that there is a tendency for the person being surveyed to stay on one side of the scale when antonyms are used. To overcome bias in these areas, the order in which questions are asked has been reversed and antonyms have been reversed so that words of favorable and unfavorable meanings do not appear on the same side of the scale.[9]

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[9]Lee H. Mathews, Ira J. Dolich, and David T. Wilson, Analysis and Decision Making Cases for Marketing Management, (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1971), p. 55.

See Appendix 9 for the copy of the questionnaire used and the cover letter that accompanied it.

The results of the questionnaire showed that those questioned shop at Circle K from two to four days per week, spend approximately $1.50 per visit, and purchase gas at least one or more times per month.

Listed below are the Section 4 items from the questionnaire with the percentage of responses by each item:

Convenience	100%
Ice	94
Magazines	100
Greeting Cards	73
Fresh fruits and vegetables	92
Hunting ammunition	64
Money orders	82
Cashing of travelers checks	95
Gasoline and oil	98
Sandwiches	87

From the responses given above, it is evident that the average Circle K customer is aware of the items listed. The lowest response was to ammunition. This could be due to the number of women shopping at the stores who would not expect ammunition to be sold in a convenience grocery store.

In Sections 5 and 6, 90 per cent of the customers answered the very useful and satisfactory ratings. The other 10 per cent had ratings in the middle. There were no ratings of useless or unsatisfactory.

Overall, the customer seemed to be aware of what was offered in the average Circle K store and was content with how the store was operated. The only comments were for longer operating hours and for more selection in grocery items.

The convenience food store industry is still in the young years of its life. From this study, it is evident that the growth of this industry will continue for a long period of time. As for the Circle K Corporation, the data supplied showing its rapid growth over the past few years is evidence of the bright future ahead. The former president of Circle K, John Gillett, best sums up the principle by which the convenience food store industry will continue its growth in the future with this statement:

> We believe in the word convenience. Our whole philosophy is based on any product and/or service that pertains to the word convenience. We are constantly reviewing and researching new products (both grocery and non-grocery items), as well as specialized services. We have no intention of digressing from our original concept of filling a need to serve convenience to the public.[10]

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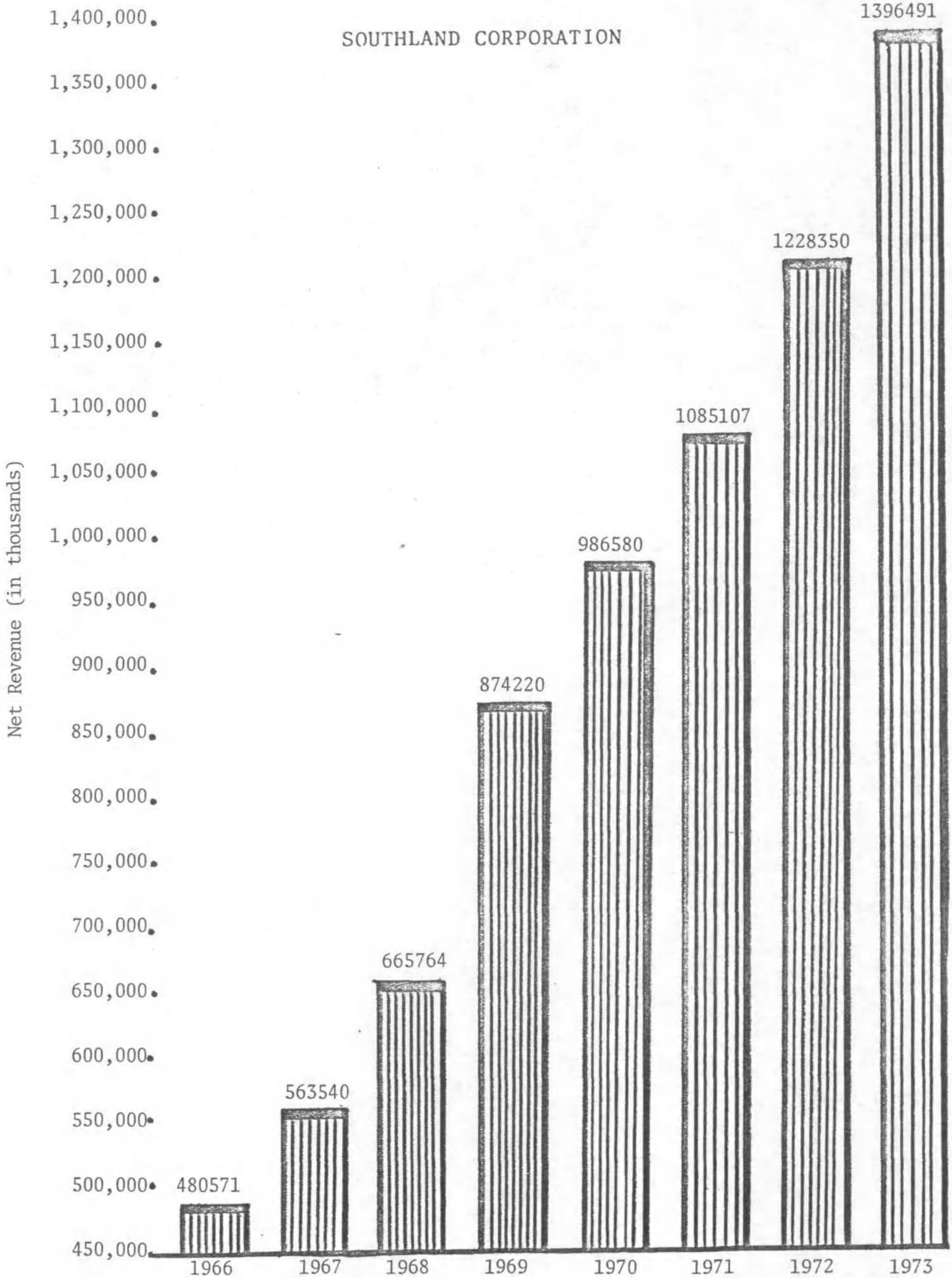
[10] "The Circle K Story," Convenience Store Journal: 20.

APPENDIX 1

GROWTH CHARTS


SOUTHLAND CORPORATION
Net Revenue (in thousands)
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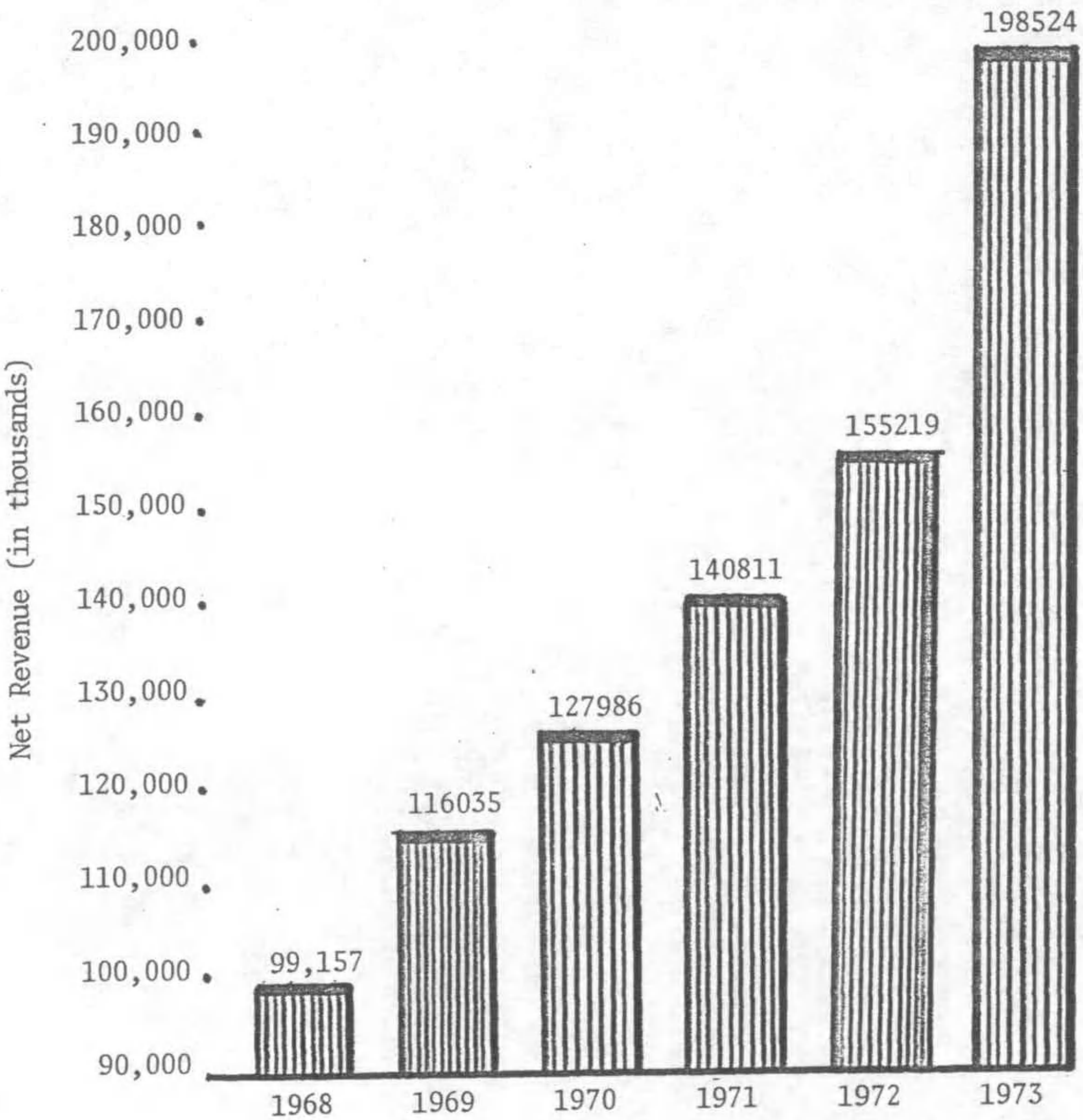
1,350,000
1,300,000
1,250,000
1,200,000
1,150,000
1,100,000
1,050,000
1,000,000
950,000
900,000
850,000
800,000
750,000
700,000
650,000
600,000
550,000
500,000
450,000
480571
563540
665764
874220
986580
1085107
1228350
1396491
1966
1967
1968
1969
1970
1971
1972
1973

MUNFORD INC.


Net Revenue (in thousands)
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190,000
180,000
170,000
160,000
150,000
140,000
130,000
120,000
110,000
100,000
90,000
99,157
116035
127986
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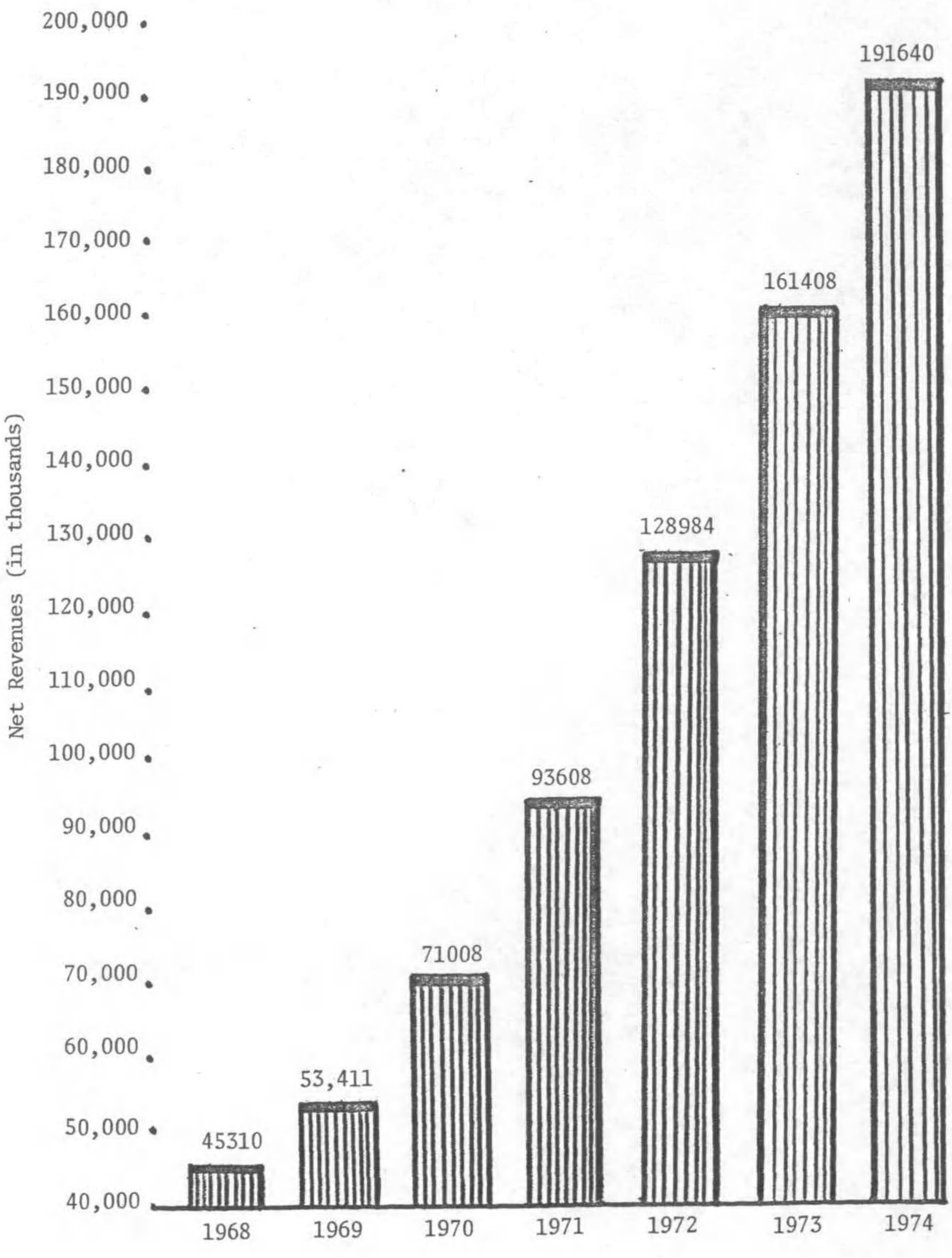
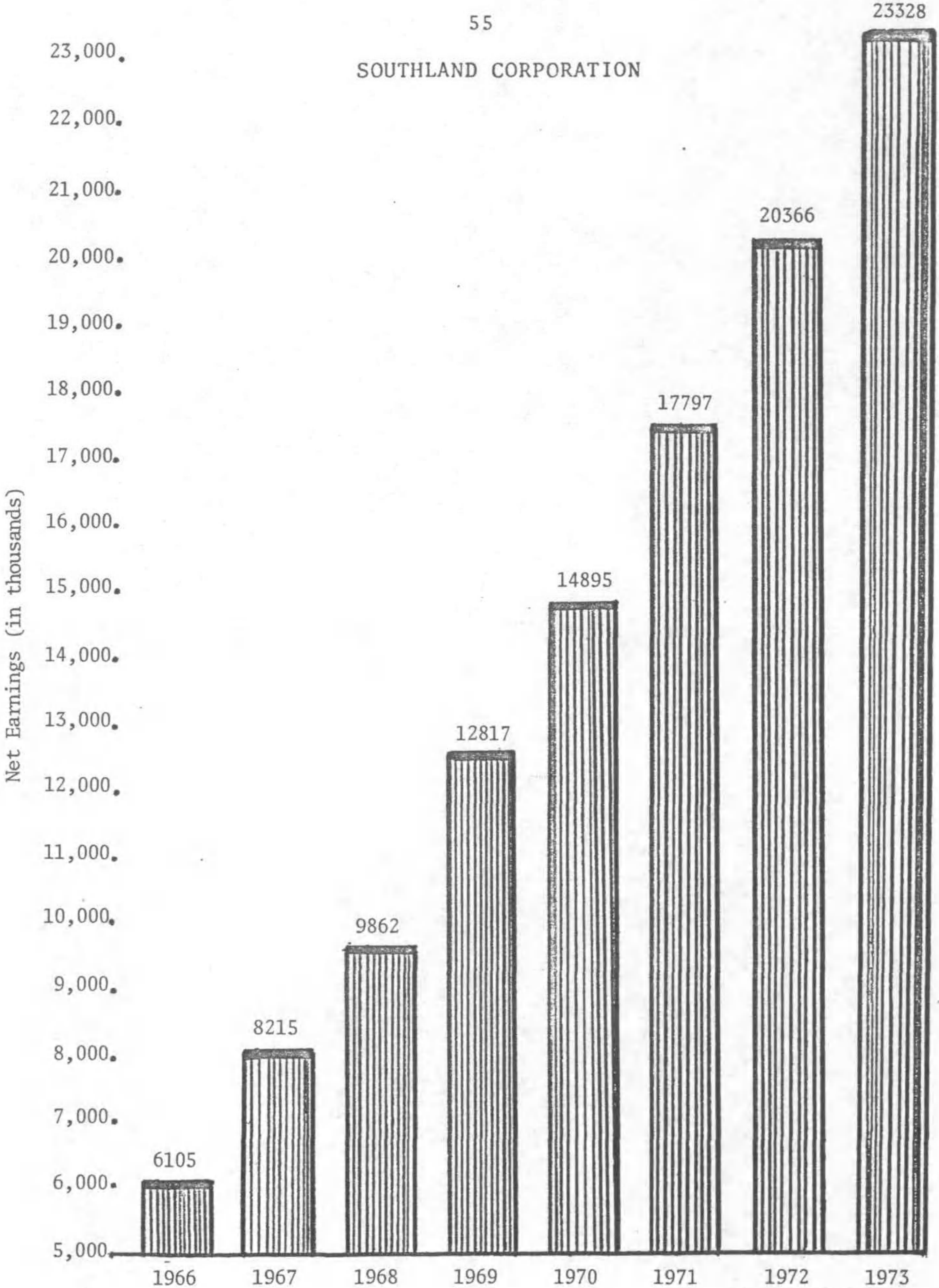
155219
198524
1968
1969
1970
1971
1972
1973

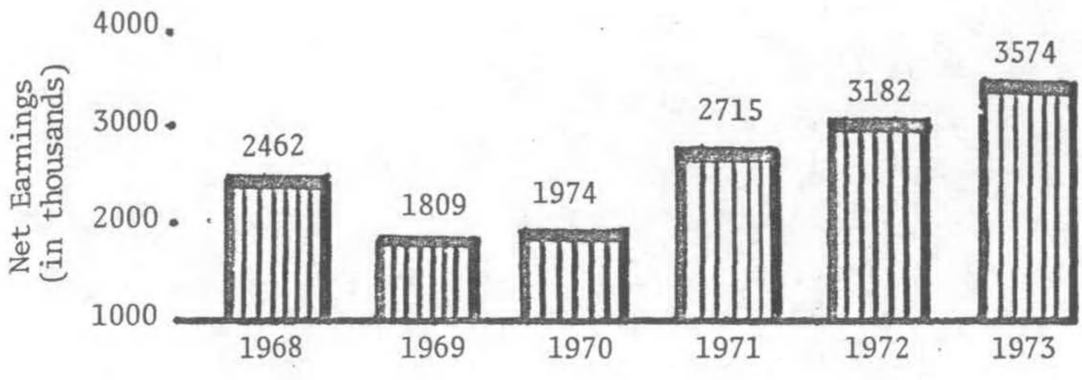
CIRCLE K CORPORATION



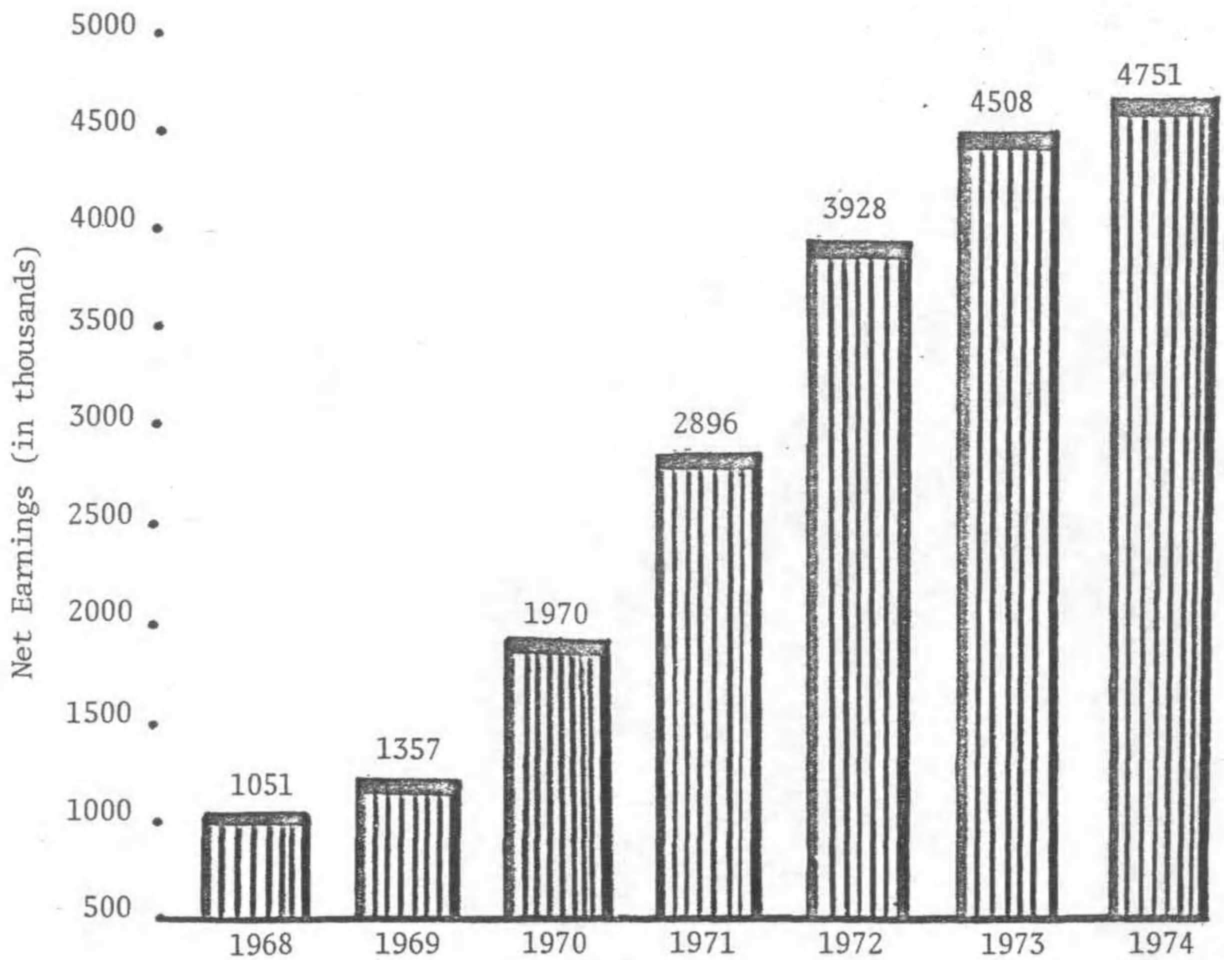
SOUTHLAND CORPORATION



MUNFORD INC.



CIRCLE K



APPENDIX 2

GEOGRAPHICAL CORPORATION AREAS

SOUTHLAND CORPORATION

1973

36 States

1967

23 States

1962

11 States

MUNFORD INC.

1973

19 States

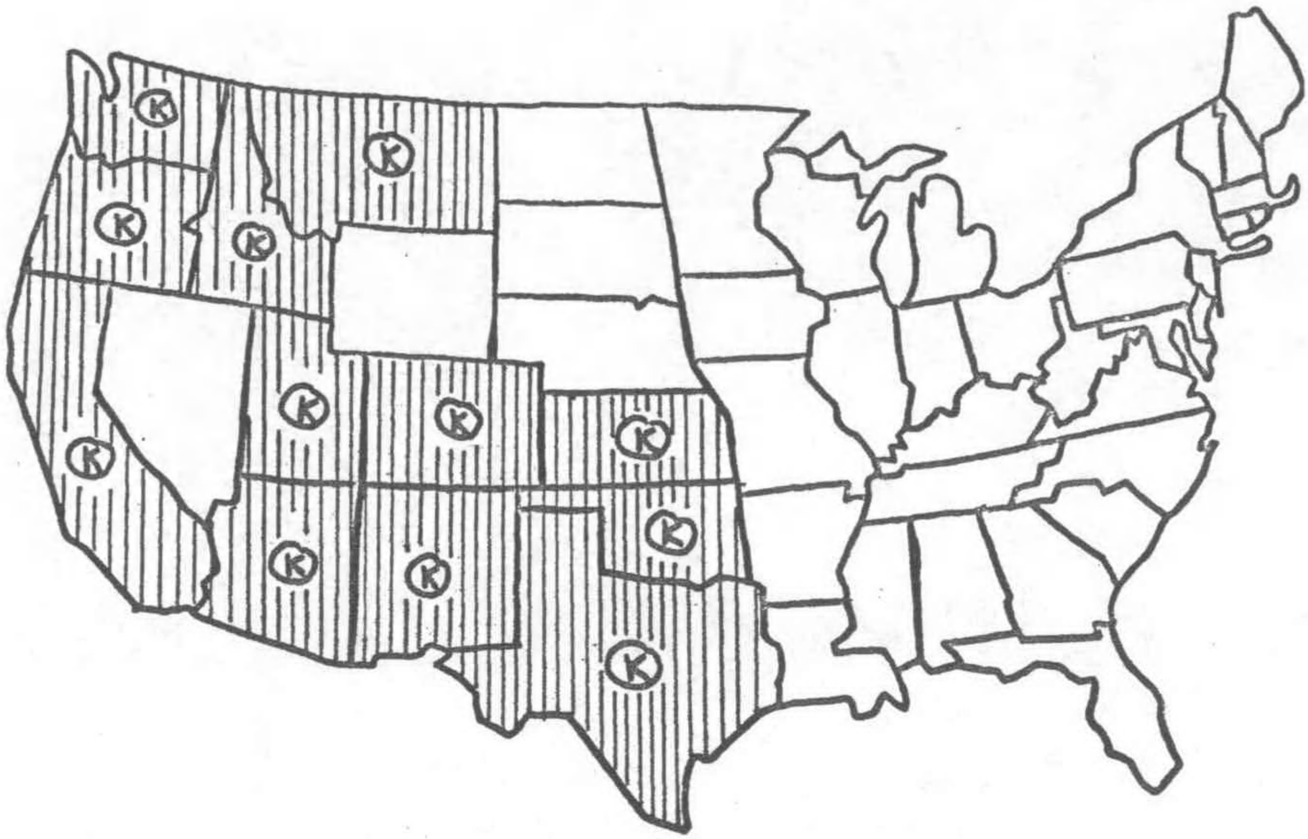
1972

19 States

1971

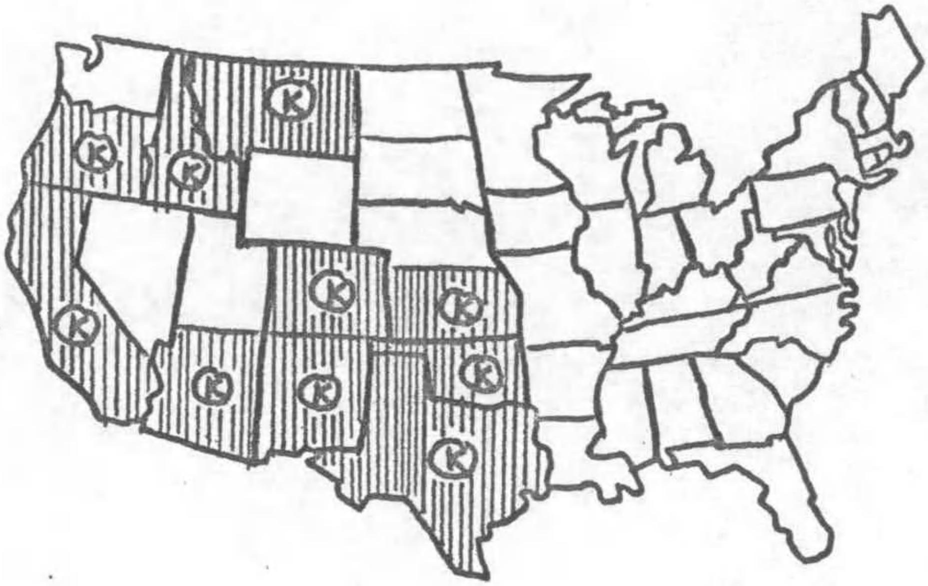
18 States

CIRCLE K CORPORATION



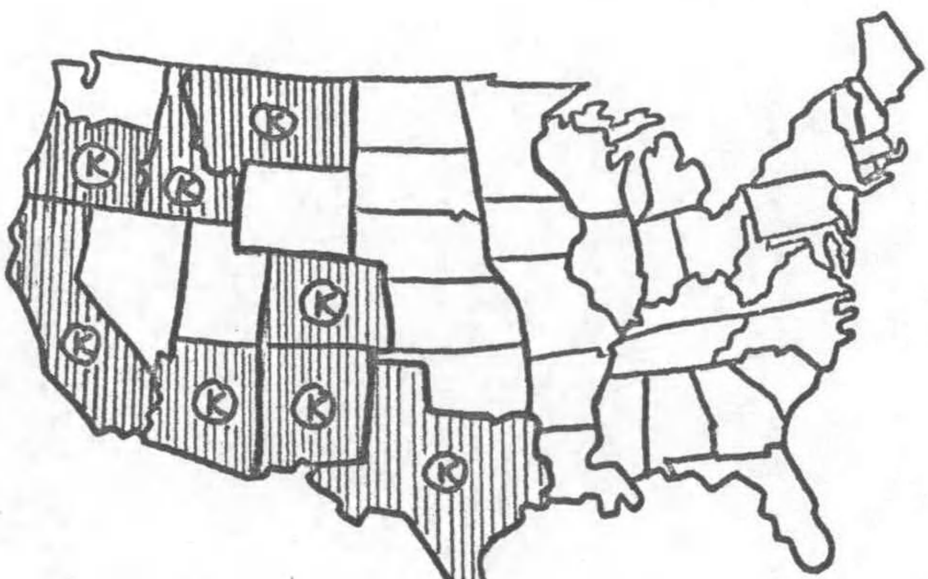
1974

12 States



1973

10 States



1972

8 States

APPENDIX 3

PERSONNEL EVALUATION POLICY

EVALUATION & SALARY PROGRAM

A program of evaluation and salary progress designed to provide our employees with a knowledge of the requirements of salary improvement, promotion and continued employment:

1st Evaluation:

Between 15 and 30 days.
Complete Critical Duties Performance List.
Read Policy Manual.
Salary Increase may be to $2.05 upon
Store Managers Recommendation (Store Managers responsibility)

2nd Evaluation:

Between 30 and 90 days.
Store Manager completes Evaluation Sheet #1.
Salary increase may be to $2.10 upon Store Managers Recommendation (Store Managers responsibility)

3rd Evaluation & Subsequent Evaluations:

After 90 days upon request of Store Manager or Zone Manager.
Store Manager completes Evaluation Sheet #2.
Promotion to Assistant Manager or Senior Clerk upon Store Managers recommendation with Zone Managers concurrance.
Salary range from $2.15 to $2.30.

Evaluation for Store Manager and subsequent evaluations:

Zone Manager uses Evaluation Sheet #2.
Salary range from $2.35 to $2.65.

EMPLOYEE EVALUATION SHEET #1

An evaluation of ________________________ in the following areas on ____________ 19__.

1. Ability to open and close store:

2. Checking vendors:

3. Ordering:

4. Retailing:

5. Suggestive selling:

6. Attitude:

7. Reliability:

8. Customer Courtesy (greeting, helpfulness etc.):

9. Personal appearance:

10. Pride in store:

11. Recommendation:

____
Store Manager

Action:

____
Zone Manager

EMPLOYEE EVALUATION SHEET #2

An evaluation of ______________________ in the following areas on ___________19__.

1. Proficiency in all phases of store operation:

2. Attitude:

3. Reliability:

4. Leadership & Initiative:

5. Sales Ability:

6. Customer Courtesy (greeting, helpfulness etc.):

7. Pride in store:

8. Comments:

9. Recommendation:

____
Store Manager

Action:

____
Zone Manager

FORM CK 168

CRITICAL DUTIES DEMONSTRATIONS

(EVERY CIRCLE K STORE PERSON MUST PROVE HE KNOWS THESE TASKS)

1. WATCH YOUR STORE MANAGER (or Shiftmate) show you how; then
2. DO EACH DUTY YOURSELF, correctly and efficiently, checking off each; then
3. SHOW YOUR ZONE MANAGER you can do each well, so he can sign you off below.

CHECK

_____ 1. STOCK LOCATIONS -- On a "store welcome" tour each item should be spotted and named, all prices noted, including walk-in, back room, counter, outside. (NO ONE SHOULD LOSE A SALE BY NOT KNOWING WHETHER AND WHERE IT IS STOCKED!)

_____ 2. CUSTOMER COURTESY -- Watch the "whole bit" from greeting at door to assist to receipt, bagging, and welcoming back. (Introduce new-hires to regular shoppers.) (DO A "WALK-THROUGH" WITH A REGULAR CUSTOMER--HE'LL BE GLAD TO HELP OUT!)

_____ 3. REGISTER RING-UP -- Full demo and run-through from turning for price read-off to tax table, offering receipt, change-making, bag selection, and over-rings. (NO NEW CLERK MUST GET BAD REGISTER HABITS BECAUSE HE WASN'T SHOWN RIGHT!)

_____ 4. COUNTER SERVICES -- Become "at home" finding cigs, candies, films, shells, and gifts promptly, making Frezes, controlling gas remote, suggesting specials. (CIRCLE K'S COUNTER IS FOR SALES AND SERVICE--NOT JUST FOR CHECKING AND BAGGING!)

_____ 5. CHECK ACCEPTANCE -- And Credit Card procedure. A full demo and run-through of proper ID request, endorsement, card file for $10+, recording of checks. (LEARN WHAT CHECK TYPES AND LIMITS NOT TO ACCEPT, HOW TO REFUSE POLITELY!)

_____ 6. MONEY ORDER PROCEDURE -- Watch and issue, with full policy details: cash only, full imprint, correctly positioned, never for over $200, entered on M.O. report. (LEARN HOW TO VOID, TO REDEEM, TO ACCEPT TRACING REQUEST, AND TO GUARD ALL M.O.'S.)

_____ 7. EMPLOYEE ROUTINE -- A new store person should get "clued in" on work schedule, time sheet maintenance and signature, what to wear, where to park and keep purse. (READING MEMOS, DUTIES NOTES, AND EMPLOYEE PURCHASE DISCOUNT RULES ARE A MUST!)

_____ 8. BASIC STOCKING -- Efficient demo of frequent walk-in tending, rotation, facing, shelving (perishables first), price-marking, counter and display re-stocking. (RE-STOCKING OF COUNTER AND WALK-IN BETWEEN BUSY PERIODS MUST BECOME A HABIT!)

_____ 9. BASIC MAINTENANCE -- Demo that everyone helps clean; that it's easy with right combination of dusting, sweeping, oil mopping and wet mopping, window washing. (ALL STORE PEOPLE MUST HELP KEEP STORE-USE LIST ACCURATE AND ECONOMICAL!)

_____ 10. CUSTOMER CHALLENGE -- A responsible store person must actually challenge any shoplifter spotted, any minor trying to buy beer, wine, or liquor, disorderlies. (EACH CIRCLE K STORE PERSON MUST SHOW HE KNOWS HOW TO CHALLENGE RESPONSIBLY!)

Each of these duties can be shown and done in a very few minutes. All must be completed within a new employee's first few days. This sheet, fully checked off and signed, must be placed in each employee's personnel folder before he is considered qualified.

I VERIFY THESE DUTIES HAVE BEEN SHOWN AND WELL LEARNED:

______________________	______________________	______________________
Store Manager	New Store Person	Zone Manager

APPENDIX 4

INVENTORY PRICE MARKUP

CIRCLE K CORPORATION-GROSS MARGIN- H.B.A. Rev. 5/1/74

Acne Remedies	43
Adhesives & Glue	40
Antacids	35
Alka-Seltzer	30
Antiseptics	43
Aspergum	35
Aspirin	30
Awakener	35
Baby Care	35
Baby Pants	40
Baby Supplies	40
Bandages	40
Bath Oil	40
Batteries	40
Books, Childrens	35
Bowls, Glass	45
Bowls, Plastic	45
Brooms	45
Brushes, Household	45
Candles	40
Cards, Playing	45
Chests, Styrofoam	40
Clocks	35
Clothes Line	45
Clothes Pins	40
Cloths, Dish	45
Cloths, Polish	45
Cold Remedies	35
Cotton	40
Cough Syrup	45
Cough Lozenges	45
Dental Floss	40
Denture Cleaner	35
Denture Adhesive	38
Deodorants, Personal	38
Deodorizers, Househld	40
Diatetics, Saccharin	35
Dust Pans	45
Dye	40
Electrical Supplies	40
Eye Drops	45
Faucet Devices	40
Feminine Hygeine	38
Feminine Deodorant	38
Feminine Pain Pills	35
Film	25
Filters, Coffee	42*
Flashbulbs	40
Flashlights	45
Fly Swatters	45
Food Containers	42*
Foot Aids	45
Freezer Supplies	42*
Fuse Plugs	40
Garbage Bags	42*
Garden Supplies	45
Glassware	45
Gloves	40
Glue, Household	45
Hair care & Combs	40
Hair Coloring	40
Hair Dressing & Crm	40
Hair Set & Rinse	40
Hair Spray	45
Headache Remedies	30
Home Permanents	40
Hosiery	pp
Ice Chests & Coolrs	40
Ice Cube Trays	45
Kidney Pills	35
Kitchen Tools	49
Laxatives	35
Light Globes	50
Lighter Fluid	35
Liniments	45
Lipstick	45
Lotions & Creams	35
Make Up Aids	45
Manicure Aids	45
Mops	45
Motor Oil	p-t
Mousetrap	45
Mouthwashes	35
Nail Polish	45
Nail Trimmers	45
Nasal Mist	45
Nite Lights	50
Oil-Household	40-45
Ointments-Rubbs	45
Paints, Brushes	45
Paper, Shelf	42*
Pet Supplies	45
Plumbing Supplies	49
Powder, Body & Talc.	35
Razors & Blades	35
Rubbs - Ointments	45
Salt & Pepper Shkr	45
Sandpaper	45
Sanitary Belts	40
School Supplies	40
Scour Pads	45
Sewing Needs	48
Shampoo	35
Shampoo Inst	45
Shave Cream	38
Shave Lotion	38
Shoe Laces	pp
Shoes, Tennis, Etc	40
Shoe Accessories	45
Shoe Grease	35
Sleep Aids	38
Slippers & Shoes	40
Sponges & Soap Pads	45
Stationary	40
Suppository	45
Sun Glasses	48
Sun Tan Preparations	43
Tacks & Nails	45
Tape, Cellophane	45
Thermos Bottles	45
Thermometers	50
Tools, Household	45
Tooth Brushes	45*
Tooth Paste	30
Tumblers	45
Twine & Rope	48
Vaseline	40
Vitamins	43

5%	10526
7%	10753
10%	11111
15%	11765
18%	12195
20%	12500
21%	12658
23%	12987
25%	13333
27%	13699
28%	13889
29%	14085
30%	14286
31%	14493
33%	14925
35%	15385
37%	15873
38%	16129
40%	16667
42%	17241
43%	17544
45%	18182
49%	19608

EXAMPLE: Cost $4.27
Pack 24
Mark Up 30%

% X Cost ÷ Pack = Unit Retail
14286 X $4.27 ÷ 24 = .25¢ Unit Retail

pp = Usually Pre-Priced
* = New Changes
P-T = Temporary Pass Thru

Rev. 5/1/74 — CIRCLE K CORPORATION-GROSS MARGINS FOR RETAILING ORDER GUIDES

Page 2

J	
Jam	30
Jelly	30
Jello	25-30
Junket	35
K	
Kipper Snk	33
Kool Aid pp	35
L	
Lamps-Bulbs	50
Lard	33
Lids,Caps	40
Lightr Fld	35
Lqd Smoke	38
Lqd Sweetnr	35
Logs,Brning	35
Lye	35
Lysol	33
M	
Mac,Canned	31
Mackerel	31
Malted Milk	30
Maraschino Cherries	35
Mrshmlw Crm	35
Marshmlw	33
Matches	40
Mandarin Oranges	35
Mayonnaise	
Small	15-18*
Large	18-20*
Miracle Whip	
Small	15-18*
Large	18-20*
Meat Sauce	33
Meats,Canned	33
Meats Tendz	40
Menudo	33
MexicanFds	33
Mexican Sce	33
Milk Canned	18-25
Eagle Brnd	30
Milk,Powdr	28
Mince Meat	35
Mx Vegetable	33
Molasses	30
Mop Hd, Stk	45
Mops,Dust	45
Muffin Mix	28
Mushroom Sce	33
Mushroom,Cannd	35
Mustard,Prepar	30
N	
Napkins,Paper	42*
Napkins,Sanity	33
Nuts,Shelled	33
O	
Oil, Cooking	25
Spray	30
Oil,Household	40-45
Oil,Motor	P-T
Prestone	40
Transmission	P-T
Okra	30
Olive Oil	35
Olives	33
Onions,Cocktl	35
Ovaltine	30
Oysters,Cannd	35
Oyster Stew	33
P	
Paper,Plat,Wx	35*
Paper,Plat,Cup	42*
Paraffin	40
Paste Goods	33
Peaches ©	28-31
Peanut Butter	28
Pears	33
Peas	30
Peppers,Cannd	33
Pepper,Ground	35
Pickels	33*
Pie Crust Mx	30
Pie Fill-Fruit	33
Pigs Feet	35
Pimientos	33*
Pineapple	30
Pizza Mix	33
Pizza Sauce	33
Plums	33
Popcrn,Unpopd	33
Pork & Beans	35*
Potatoes,cand	30*
Potatoes,Dehyd	28
Shoe String	30
Pot Scourers	45
Potted Meat	33
Preserves	30
Presoak	30
Prunes,Canned	33
Puddings,Mix	25-30
Pumpkin	30
R	
Roasting Bag	42*
Roasting Wrap	42*
Raviolis	33
Relish	33
Rhubarb	33
Rice Cello	33
Rice,Wild	33
Roast Beef	33
Rug Cleaners	40
S	
Salad Dressing Liquid	29*
Salmon	35
Sal Soda	30
Salt	30
Salt Miniature	33
Sandwich Sauce	
Sloppy Joe	33
Manwich	33
Sandwich Spread	29*
Sardines	33*
Sauerkraut	30
Scouring Cl-Pd	25
Shelf Paper	42*
Shortening	15
Shrimp,Cand	35
Snack Packs	30-33
Snacks,Carded	35-40
Snuff	33
Soaps,Bar	23-28
Sorghum	30
S.O.S. Pads	45
Soup Mx Dry	33
Soup Cannd	28
Space Fd Sn	33-35
Spag Dinnrs	33
Spag Cannd	31
Spag Sce	33
Spanish Fds	33
Spices ©	38-40
Spinach	30
Sponges	45
Spoons,Forks	40
Sprd,Asst Mt	33
Starch	25
Steel Wool	45
Straws	40
Shake & Bake	35
Squash	30
SUGAR	
Brown	20-25
Cube	25
Frosting	25
Granulated	5-15
Powdered	20-25
Sweet Potato	30
Sweetner Liq.	35
Syrup	30
T	
Taco Sauce	33
Tamales	33
Tang	35
Tapioca	35
Tartar Sauce	33
Tea	30
Teething Bis	35
Tissue,Facial ©	35*
Tissue,Toil ©	35*
Tobacco ©	
Chewing	23-25
Snuff-Skoal	33
Smoking	23-25
Tobasco Sce	33
TOMATOES	
Cand, Plain	33*
Stewed	33
Puree	33
Sauce	33*
Paste	33
Toothpicks	40
Tortilla Flour	25
Towels,Paper	40
Handi Wipes	42*
Wet	42*
Towel Holder	42*
Tuna	29
V	
VEGETABLE JUICE	
Clamato	30
Snap E Tom	33
Tomato	28
V-8	33
Vienna Sausage	33
Vinegar	35
W	
Water,Bottled	35
Water Softener	30
Wool Wash	35
Worcester Sc	33
Y	
Yams,Cannd	30
Yeast,Dry	35
Yeastcake	33

P-T Temporary Pass Thru   c = Competitive Item   PP Usually Pre-Priced

* New Change

CIRCLE K CORPORATION-GROSS MARGINS FOR RETAILING ORDER GUIDES   ..v. 5/1/.

A	
Aluminum Foil	33
Ammonia	30
Anchovies	38
Apple Butter	30
Apples, canned	30
Apple Cider	30
Apple Sauce	30
Apricots	33
Asparagus	30
Auto Clnr Wax	40
B	
Baby Cereal	28
Baby Diapers ©	35
Baby Food ©	25-28
Baby Meats ©	28-30
Baby Formula ©	28-31
Bags, Paper	42*
Bags, Sandwich	42*
Bags, Garbage	42*
Baking Cups	42*
Baking Powder	33
Baking Soda	33
Balloons	45
BBQ Sauce	33
BEANS	
Pork & Beans	35*
Beane Weene	35*
Baked & BBQ	30*
Canned Pinto	30*
Green Cut	28
Gr, Whl, Frch	31
Kidney	28
Limas	30
Ranch Style	30
Refried	29*
Bean Dip	29
Beans Dried	29
Beef Gravy	33
Beef Stew	33*
Beets	30
Bev, Bases	35
Bird Seed	40
Biscuit Mix	28-30
Blackberries	33
Bleaches	25-30
Bluing	33
Borax	30
Bouillon Cubes	33
Bread Crumbs	35
Bread Mixes	28
Brkfst Inst	35*
Brooms	45
Bubble Bath	40

C	
Cake Decors	40
Cake Flour	35*
Cake Frosting	25
Cake Mixes	25
Candles	40
Candy, Bag	40
Candy, Gt Bar	35
Cand Ice Tea	30
Canned Pop	30
Canng Supls	40
Carrots Canned	31
Can-Veg Salad	30
Cat Food	31*
Cat Litter	40
Catsup	28
Cello Beans	29
Cereals, All	28
Charcoal ©	35
Char. Lighter ©	35
Ches Cake Mx	30
Cherries, Cnd	35
Chix Items, Cnd	33-35
Chili C.C.	33
Chili Powder	38
Chilis, Cnd	33
Chili Sauce	33
Chinese Food	33
Choc Bkg, Grd	33
Choc Chips	33
Choc Syrup	28
Cig Papers	33
Cigarettes	©
Cigars	23
Cleaner, Bowl	30
Clnrs, Dsfct	33
Clnrs, Glass	30
Clnrs Metal	40
Clnrs, Oven	38
Clnrs, Smk Pipe	33
Clnrs, Tile, Bthrm	30
Clnrs, Window	30
Clng, Fluid	40
Clothes Pins	40
Cocktl Sauce	33
Cocoa	30
Cntr Pnch Base	35
Chicken Broth	33*
Cocoa Inst	30
Coconut	33
COFFEE ©	05
Sanka Grinds	10
Sanka Inst	20
Instant - Reg	15-20
Freeze Dried	15-20
Postum	30
Coffee Cake Mix	28
Coffee Crm Dry	25-30
Coffee Pot Clnr	40
Cookie Mix	28
Corn, Canned	33*
Corn Bread Mix	28
Corned Beef	33
Corn Meal	33
Corn Starch	35
Crab Mt, Clam	38
Cracker Jack	31
Cracker Meal	35
Cranbry Sauce	30
Croutons	35

D	
Dates	33
Deli Items	33
Diet Sweetners	35
Deodorizers	40
Detergents	22 ~~18~~
Dtrgnts, Liquid ©	23-28
Deviled Ham	33
Deviled Meat	33
Diaper Soap	28-30
Dietetic Fd.	33
Dinners Misc.	33
Hbgr Hlpr	33
Dishwasher Dtrgnt	28
Dog Candy	35*
Dog Food	31*
Drain Operner	30
Dream Whip	35
Dried Beef	33
Dried Fruits	33
Dry Sc Season	33
Dye	40
E	
Extracts	38-40
F	
Fabric Softener	30
Facial Tissue ©	35*
Figs, Canned	33
Floor Wax-Cln	38
Flour	15
Flour, Panck	28
Fd Colorng	40
Freezer Sply	42*
Frozen Fds	33
Fruit Cocktl	33
Fruit Diet	[illegible]
Fruit Drnks	[illegible]
(Hi-C)	30
FRUIT JUICE	
Apple	33
Apricot	33
Blended	33
Cranberry	33
Grape	33
Grapefruit	33
Lemon	33
Lime	35
Orange	33
Peach	33
Pineapple	35
Prune	28
Fruit Pie Fill	33
Fruit Salad	33
Frt Glaze	35
Furn Polish	40

G	
Garbonzos	30
Garden Hose	40
[illegible]	35
Gelatin Knox	33
Gingrbrd Mx	28
Grpfrt Sec	30
Gravy Aids	33
Gravy-Mix	33
Gravy Can	33
H	
Hand Clnr Pd.	28
Hash	30
Health Food	35
Hominy	30
Honey	30
Hrseradish	33
Hot Roll Mx	28
Hot Sauces	33
I	
Ice Cm Cone	33
Ice Crm Mxs	35
Ice Cm Salt	35
Ice Cm Top	33-35
Imt Extract	38-40
Insecticide	45

P-T Temporary Pass Thru   © = Competitive Items   pp = Usually Pre-Priced

* New Changes

APPENDIX 5

CORPORATION GUIDELINES AND BREAKEVEN ANALYSIS

TABLE 1

GUIDELINES FOR PROFIT AND LOSS
CIRCLE K CORPORATION

Sales - Gas	100.00%
Cost of Sales - Gas	82.00
Gross Profit - Gas	18.00
Sales - Grocery	100.00
Cost of Sales - Grocery	73.00
Gross Profit - Grocery	27.00
Total Sales - Gas and Grocery	100.00
Cost of Sales - Gas and Grocery	74.00
Gross Profit - Gas and Grocery	26.00
Salaries	9.50
Payroll Taxes	1.00
Supplies	.60
Utilities	2.25
Depreciation & Amortization	1.00
Repair and Maintenance	.60
Laundry	.05
Cash Over and Short	--
Loss on Bad Checks	.10
Insurance	.30
Other Necessary	.20
Taxes, Licenses, and Fees	.30
Equipment Rental	.05
Store Rental	2.80
Insurance and Taxes	.40
Total Store Expenses	19.15
General & Admin - Gas	4.25
General & Admin - Grocery	4.25
Other Income	2.00
Net Profit Gas	13.75
Net Profit Grocery	5.60
TOTAL NET PROFIT	6.00

TABLE 2

FINANCIAL DATA FOR A PROFITABLE CIRCLE K STORE (1974)

	Actual Data ($)	Actual %	Guideline Data ($)
Sales - Gas	63,851.23	100.00	
Cost of Sales - Gas	45,761.99	71.67	52,358.01
Gross Profit - Gas	18,089.24	28.33	11,493.22
Sales - Grocery	270,928.82	100.00	
Cost of Sales - Grocery	193,680.35	71.49	197,778.03
Gross Profit - Grocery	77,248.47	28.51	73,150.78
Total Sales	334,780.05	100.00	
Total Cost of Sales	239,442.34	71.52	247,737.23
Total Gross Profit	95,337.71	28.48	87,042.81
Salaries	28,032.38	10.35	25,738.24
Payroll Taxes	2,888.06	1.07	2,709.28
Supplies	1,905.06	.70	1,625.57
Utilities	3,065.10	1.13	6,095.90
Depreciation & Amortization	3,247.70	1.20	2,709.28
Repair & Maintenance	1,171.69	.43	1,625.57
Laundry	.00	.00	135.46
Cash Over & Short	(65.02)	(.02)	-
Loss on Bad Checks	548.80	.20	270.93
Insurance	1,448.42	.53	812.79
Other Necessary	.00	.00	541.86
Taxes, License, and Fees	2,530.92	.93	812.79
Equipment Rental	.00	.00	135.46
Store Rental	6,008.26	2.22	7,586.01
Insurance & Taxes (Rent)	1,725.36	.64	1,083.72
Total Store Expenses	52,636.77	19.43	51,882.87
General & Admin - Gas	4,517.18	7.07	2,713.67
General & Admin - Grocery	13,757.22	5.08	11,514.47
Other Income	+ 3,318.36	1.17	+ 5,418.58
Net Profit - Gas	13,572.06	21.16	8,779.54
Net Profit - Grocery	14,172.84	5.23	15,172.01
TOTAL NET PROFIT	27,744.90	8.29	20,086.80

TABLE 3

FINANCIAL DATA FOR AN UNPROFITABLE
CIRCLE K STORE (1974)

	Actual Data ($)	Actual %	Guideline Data ($)
Sales - Gas	28,880.68	100.00	
Cost of Sales - Gas	20,069.28	69.49	23,682.15
Gross Profit - Gas	8,811.40	30.51	5,198.53
Sales - Grocery	105,259.61	100.00	
Cost of Sales - Grocery	76,958.18	73.11	76,839.51
Gross Profit - Grocery	28,301.43	26.89	28,420.10
Total Sales	134,140.29	100.00	
Total Cost of Sales	97,027.46	72.33	99,263.81
Total Gross Profit	37,112.83	27.67	34,876.48
Salaries	14,653.43	13.92	12,743.32
Payroll Taxes	1,508.35	1.43	1,341.40
Supplies	950.61	.81	804.84
Utilities	3,647.76	3.47	3,018.15
Depreciation & Amortization	4,872.36	4.63	1,341.40
Repair & Maintenance	975.41	.93	804.84
Laundry	2.13	.00	67.07
Cash Over and Short	+31.54	.03	--
Loss on Bad Checks	207.28	.20	134.14
Insurance	582.78	.55	402.42
Other Necessary	76.49	.07	207.28
Taxes, Licenses, and Fees	2,689.68	2.56	402.42
Equipment Rental	.00	.00	67.07
Store Rental	4,680.00	4.45	3,755.93
Insurance and Taxes (Rent)	1,540.56	1.46	536.56
Total Store Expenses	36,255.30	34.44	25,687.86
General & Admin - Gas	2,695.03	9.33	1,006.49
General & Admin - Grocery	5,348.61	5.08	4,473.53
Other Income	+1,226.84	1.17	+2,105.19
Net Profit - Gas	6,116.37	21.18	3,971.09
Net Profit - Grocery	(12,075.64)	(11.47)	5,894.53
TOTAL NET PROFIT	(5,959.27)	(4.44)	8,048.41

TABLE 4

BREAKEVEN POINT FOR A PROFITABLE CIRCLE K STORE

Sales = $334,780.05

Fixed Costs	
Salaries - $32 @ 365 days	$ 11,680.00
Payroll Tax	2,888.06
Utilities	3,065.10
Depreciation and Amortization	3,247.70
Taxes, Licenses, and Fees	2,530.92
Store Rental	6,008.26
Insurance and Taxes	1,725.36
Insurance (Liability)	1,448.42
	$ 32,593.82
Variable Costs	
Salaries	$ 16,352.38
Supplies	1,905.06
Repairs and Maintenance	1,171.69
Laundry	.00
Cash Over and Short	65.02
Loss on Bad Checks	548.80
Other Necessary	.00
Equipment Rental	.00
General and Administrative	18,274.40
Cost of Sales	239,442.34
	$277,759.69

$$\text{Marginal Income} = 1 - \frac{VC}{\text{Sales}}$$

$$= 1 - \frac{277,759.69}{334,780.05}$$

$$= 1 - .83$$

$$= .17$$

$$BEP_{\$} = \frac{\text{Fixed Costs}}{1 - \frac{\text{Var Cost}}{\text{Sales}}}$$

$$= \frac{32,593.82}{.17}$$

$$= 191,728.35$$

TABLE 5

BREAKEVEN POINT FOR AN UNPROFITABLE CIRCLE K STORE

Sales = $134,140.29

Fixed Costs	
Salaries - $32 @ 365 days	$ 11,680.00
Payroll Tax	1,508.35
Utilities	3,647.76
Depreciation and Amortization	4,872.36
Taxes, Licenses, and Fees	2,689.68
Store Rental	4,680.00
Insurance and Taxes	1,540.56
Insurance (Liability)	582.78
	$ 31,201.49
Variable Costs	
Salaries	$ 2,973.43
Supplies	950.61
Repairs and Maintenance	975.41
Laundry	2.13
Cash Over and Short	(31.54)
Loss on Bad Checks	207.28
Other Necessary	76.49
Equipment Rental	.00
General and Administrative	8,043.64
Cost of Sales	97,027.46
	$110,224.91

$$\text{Marginal Income} = 1 - \frac{VC}{\text{Sales}}$$

$$= 1 - \frac{110{,}224.91}{134{,}140.29}$$

$$= 1 - .82$$

$$= .18$$

$$BEP_{\$} = \frac{\text{Fixed Costs}}{1 - \frac{\text{Var Cost}}{\text{Sales}}}$$

$$= \frac{31{,}201.49}{.18}$$

$$= 173{,}341.61$$

APPENDIX 6

PRINCIPLES OF SALE/LEASEBACK

TABLE 1

SCHEDULE OF CASH OUTFLOWS: LEASING ALTERNATIVE 8 PER CENT

End of Year	Lease Payment	Tax Shield	Cash Outflow After Tax (1) - (2)	(10%) Present Value of Cash Outflow
0	9848	-	9848	9848
1	9848	4924	4924	4476
2	9848	4924	4924	4067
3	9848	4924	4924	3693
4	9848	4924	4924	3363
5	9848	4924	4924	3053
6	9848	4924	4924	2777
7	9848	4924	4924	2526
8	9848	4924	4924	2297
9	9848	4924	4924	2088
10	9848	4924	4924	1898
11	9848	4924	4924	1723
12	9848	4924	4924	1566
13	9848	4924	4924	1423
14	9848	4924	4924	1295
15	9848	4924	4924	1177
16	9848	4924	4924	1068
17	9848	4924	4924	974
18	9848	4924	4924	885
19	9848	4924	4924	803
20	9848	4924	-4924	-729
				50271

TABLE 2

SCHEDULE OF DEBT PAYMENTS
10 PER CENT

End of Year	Interest Plus Principal Payment	Principal Amount Owing at End of Year	Annual Interest
0	-	60,000	-
1	7048	58,952	6000
2	7048	57,799	5895
3	7048	56,530	5779
4	7048	55,135	5653
5	7048	53,600	5513
6	7048	51,912	5360
7	7048	50,055	5191
8	7048	48,012	5005
9	7048	45,765	4801
10	7048	43,293	4576
11	7048	40,574	4329
12	7048	37,583	4057
13	7048	34,293	3758
14	7048	30,674	3429
15	7048	26,693	3067
16	7048	22,314	2669
17	7048	17,497	2231
18	7048	12,198	1749
19	7048	6,369	1219
20	7048	0	637

TABLE 3

SCHEDULE OF CASH OUTFLOWS: DEBT FINANCING 10 PER CENT

End of Year	(1) Loan Payment	(2) Interest	(3) Depreciation	(4) 50% Tax Shield (2)+(3) 0.5	Cash Outflow After Tax (1) - (4)	Present Value Cash Flows
1	7048	6000	3000	4500	2548	2316
2	7048	5895	3000	4448	2600	2149
3	7048	5779	3000	4390	2658	1997
4	7048	5653	3000	4327	2721	1858
5	7048	5513	3000	4257	2791	1733
6	7048	5360	3000	4180	2868	1619
7	7048	5191	3000	4096	2952	1515
8	7048	5005	3000	4003	3045	1421
9	7048	4801	3000	3901	3147	1335
10	7048	4576	3000	3788	3260	1257
11	7048	4329	3000	3665	3383	1186
12	7048	4057	3000	3529	3519	1121
13	7048	3758	3000	3379	3669	1063
14	7048	3429	3000	3215	3833	1009
15	7048	3067	3000	3034	4014	961
16	7048	2669	3000	2835	4213	917
17	7048	2231	3000	2616	4432	877
18	7048	1749	3000	2375	4673	840
19	7048	1219	3000	2110	4938	807
20	7048	637	3000	1810	5229	777
						26,758

NOTE: Assume straight line depreciation.

TABLE 4

SCHEDULE OF CASH FLOWS: LEASE FINANCING

End of Year	(1) Cost of Asset	(2) Lease Payment	(3) Depreciation	(4) (2)-(3)	(5) $(L_t-P_t)Y$ (4)0.5	(6) Cash Flows (1)-(2)+(5)
0	60,000	9848	3000	9848	4924	55076
1	-	9848	3000	6848	3424	(6424)
2	-	9848	3000	6848	3424	(6424)
3	-	9848	3000	6848	3424	(6424)
4	-	9848	3000	6848	3424	(6424)
5	-	9848	3000	6848	3424	(6424)
6	-	9848	3000	6848	3424	(6424)
7	-	9848	3000	6848	3424	(6424)
8	-	9848	3000	6848	3424	(6424)
9	-	9848	3000	6848	3424	(6424)
10	-	9848	3000	6848	3424	(6424)
11	-	9848	3000	6848	3424	(6424)
12	-	9848	3000	6848	3424	(6424)
13	-	9848	3000	6848	3424	(6424)
14	-	9848	3000	6848	3424	(6424)
15	-	9848	3000	6848	3424	(6424)
16	-	9848	3000	6848	3424	(6424)
17	-	9848	3000	6848	3424	(6424)
18	-	9848	3000	6848	3424	(6424)
19	-	9848	3000	6848	3424	(6424)
20	-	-	3000	(3000)	(1500)	(1500)

NOTE: Assume straight line depreciation.

TABLE 5

INTERNAL RATE OF RETURN: LEASE FINANCING

Cash Flows		10% Discount Rate	Discounted Cash Flow	9% Discount Rate	Discounted Cash Flow
0	55076	-	-	-	-
1	(6424)	.91	5846	.92	5910
2	(6424)	.83	5332	.84	5396
3	(6424)	.75	4818	.77	4946
4	(6424)	.68	4368	.71	4561
5	(6424)	.62	3983	.65	4176
6	(6424)	.56	3597	.60	3854
7	(6424)	.51	3276	.55	3533
8	(6424)	.47	3019	.50	3212
9	(6424)	.42	2698	.46	2955
10	(6424)	.39	2505	.42	2698
11	(6424)	.35	2248	.39	2505
12	(6424)	.32	2056	.36	2313
13	(6424)	.29	1863	.33	2120
14	(6424)	.26	1670	.30	1927
15	(6424)	.24	1542	.27	1734
16	(6424)	.22	1413	.25	1606
17	(6424)	.20	1285	.23	1478
18	(6424)	.18	1156	.21	1349
19	(6424)	.16	1028	.19	1221
20	(6424)	.15	225	.18	270
			53,928		57,764

9% = 57,764		57,764
10% = 53,928		-55,076
1% = 3,836		2,688

$$\frac{2,688}{3,836} = .70 + 9\% = 9.70\%$$

APPENDIX 7

CONTRACT AGREEMENT

INDEX TO AGREEMENT

EMPLOYEE AGREEMENT

This Agreement made and entered into by and between The Circle K Corporation, a Texas Corporation, hereinafter called "Company", and hereinafter called "Contract Manager".

Company has leased or purchased real property, commonly known as store number , located at suitable for use as a convenience-type food market. Company has devised a system for operating this type of convenience market, which system is identified by the trade mark "Circle K".

1. TERM OF AGREEMENT. Subject to the provisions herein for termination, the term of this Agreement shall be for a period commencing on the day of , and ending on the day of , and thereafter for periods of one (1) year respectively, unless and until terminated by either party hereto by giving to the other party at least thirty (30) days written notice of such termination prior to the anniversary date of the commencement of the term of this lease.

During the first twelve (12) months of the term hereof, which period shall be regarded as a probationary period, Company may terminate this lease at any time by giving Contract Manager ten (10) days prior written notice of such termination. In no event, however, shall the term of this Agreement continue beyond one (1) day prior to the termination, no matter how caused or for whatever reason, including termination by reason of breach or expiration of the Master Store Lease, if any.

2. ASSIGNMENT. Contract Manager shall not assign, transfer or in any way hypothecate any of his rights or interests under this Agreement without the written consent of Company first had and obtained. The consent by Company to any one assignment, transfer or hypothecation shall not be construed as waiving Company's right to refuse to consent to any subsequent assignment, transfer or hypothecation. Should Contract Manager make an assignment for the benefit of creditors or become bankrupt through either voluntary or involuntary bankruptcy proceedings, Company, at its option, may terminate all rights of Contract Manager hereunder.

3. TRADE FIXTURES. Company has purchased (or leased) trade fixtures which are installed in the above-described premises as described in the attached aforesaid "Exhibit A". The trade fixtures shall at all times be the sole property of the Company. Contract Manager shall use the trade fixtures in a careful manner and solely in connection with the normal operation of the store as prescribed by Company. All additions of personal property in the nature of fixtures or equipment, whether such additions are made by Company or Contract Manager, shall remain or become the property of Company.

4. MAINTENANCE. Contract Manager, at his own expense, shall keep the trade fixtures in good repair and condition. If, at any time, in the opinion of the Company, the trade fixtures

are not so maintained and repaired, Company, without prejudice to any of its rights or remedies, may give a three (3) day written notice to Contract Manager to repair. If Contract Manager does not comply within such period, Company may repair or cause repair to be done, and Contract Manager shall forthwith pay to Company the expense of making such repairs. Contract Manager agrees to pay for the cost of "Maintenance Service Contracts" which Company may from time to time secure which are generally applicable to all stores, such as cash register and fixture maintenance.

5. REPLACEMENT OF TRADE FIXTURES. Company may, at any time, replace any fixtures with other fixtures of a similar kind and of equal or better quality. If any fixtures, in the opinion of the Company, become inadequate, obsolete or unusable, Company may replace them. Company shall at all times have free access to the trade fixtures for inspection and to make repairs or replacements.

6. TRANSFERS OR ENCUMBRANCES. Contract Manager shall not pledge, mortgage or otherwise hypothecate, sublet or part with possession of said trade fixtures, or attempt in any other manner to dispose thereof, or remove the trade fixtures from said premises or suffer any liens or legal process to be incurred or levied thereon.

7. LIABILITY FOR DAMAGE OF FIXTURES. Contract Manager shall be responsible for any damage to the trade fixtures while in his possession, provided, however, that Contract Manager shall not be liable for loss thereof or injury thereto resulting from fire, flood, or act of God.

8. MAINTENANCE AND REPAIR OF MARKET PREMISES. As and when required in its opinion, Company shall, at its expense, repaint the store building (interior and exterior); Contract Manager shall perform all other maintenance and janitorial service in order that the premises shall be kept in a clean, orderly and sanitary manner at all times. Working Manager shall, at his expense, repair and/or replace damaged and/or broken doors, windows and plumbing.

9. SECURITY DEPOSIT. Concurrent with the execution of this Agreement, Contract Manager shall pay to Company One Thousand Six Hundred and 00/100 Dollars ($1,600.00) as a deposit and security for the full and faithful performance by Contract Manager of all of the terms and conditions contained herein. Upon termination of this Agreement, Company shall repay to Contract Manager, in accordance with final accounting thereof, the amount so deposited less any monies then due Company by Contract Manager. During the term of this Agreement, Company shall pay Contract Manager interest each month on the amount deposited under this paragraph. Such interest shall be paid to Contract Manager by deducting it from the amount of interest due Company that month on the unpaid balance, if any, of Contract Manager's promissory note, or by crediting the amount of such interest to Contract Manager's current account. The rate of interest shall be the same as that provided in paragraph 10 of this Agreement.

10. INITIAL INVENTORY. Company shall procure and deliver to said store the initial inventory of all items. The cost to Contract Manager of such merchandise shall be computed by a

physical inventory taken at said store within three (3) business days before or after commencement of the term of this Agreement and using the aggregate of Company's then effective suggested retail prices for each item in said inventory, less percent (%) thereof. Such physical inventory shall be taken by Company at its own expense.

Company shall advance to Contract Manager the sum of Dollars ($), representing the aggregate of (i) the cost of said initial inventory ($); and (ii) the amount of a store change fund ($); and (iii) the value of miscellaneous supplies on hand in said store at the commencement of this Agreement ($). Contract Manager shall repay said sum as follows:

Dollars ($) cash upon execution of this Agreement and the delivery of Contract Manager's promissory note for the balance. Receipt of said Dollars ($) is hereby acknowledged by Company. Said promissory note shall be in a form approved by Company. The unpaid balance of said note shall bear interest at a rate determined as of the first day of each month equal to the "prime rate" of interest plus one-half of one percent (0.5%) per annum. The "prime rate" shall be the prime rate charged by the Chase Manhattan Bank of New York as of the first banking day of each calendar month. However, the interest charged according to said promissory note shall not exceed the highest rate of interest allowable by law in the state which has jurisdiction over this contract. The term of said note shall coincide with the term of this Agreement, and the unpaid balance of said note, together with unpaid interest thereon, shall be due and payable in full upon termination of this Agreement for whatever cause and by whichever party.

11. INVENTORY VALUATION PROCEDURE. All of the inventories provided for in this Agreement shall be taken in accordance with Company's standard inventory accounting principles. The merchandise shall be counted at its retail price. Except as otherwise expressly provided, the cost of the merchandise shall be determined by deducting from the aggregate retail price an amount equal to Contract Manager's gross markup. Contract Manager's gross markup shall be the aggregate of the retail price of the merchandise multiplied by Contract Manager's percentage markup (as determined in accordance with this paragraph).

In determining the costs of the various inventories in this Agreement, it is estimated that Contract Manager's percentage markup will be percent (%). After Contract Manager has been a tenant in said store under this Agreement for six (6) months, and once every six (6) months thereafter, Company may, and upon Contract Manager's written request Company shall, review Contract Manager's records to determine whether said estimated percentage markup conforms to the actual percentage markup (as hereinafter defined). Said estimated percentage markup shall be deemed to conform to the actual percentage markup if the latter is within one percentage point above or below the former. If said estimated percentage markup does not conform to the actual percentage markup, then the parties hereto thereafter shall consider the Contract Manager's percentage markup to be the actual percentage markup rounded to the nearest one-quarter of one percent (0.25%) in determining the cost of the inventory provided for in this Agreement.

The term "actual percentage markup", as used herein, shall mean the overall percentage markup experienced at said store during the most recently ended six (6) month period computed in accordance with Company's standard accounting procedures.

Contract Manager shall give Company and its agents and designees acess to said store during normal business hours to take the inventories provided for in this Agreement. Contract Manager or his designee may observe each inventory. If Contract Manager observes any errors occurring during any such inventory, Contract Manager should promptly bring such to the attention of the person taking such inventory. Immediately upon the conslusion of each inventory, Contract Manager shall execute a copy of the inventory summary documents and shall indicate thereon whether or not Contract Manager accepts the physical count of the merchandise in said store as complete and accurate. If Contract Manager does not accept such count as complete and accurate, Contract Manager shall note on said documents each claimed deficiency and inaccuracy of such count.

In addition to the inventories expressly provided for in this Agreement, Company may take such other physical inventories of said store as Company, in its sole discretion, shall deem necessary or convenient.

12. <u>ADJUSTMENT OF THE BALANCE OWING ON PROMISSORY NOTE.</u> From time to time, but not more often than once every six (6) months, Company, at its expense, may take an inventory of the merchandise in said store for the purpose of adjusting the balance due on Working Manager's promissory note. The cost of the merchandise in this inventory shall be the aggregate of Contract Manager's retail price for each item of merchandise less an amount equal to Contract Manager's gross markup, as determined in accordance with paragraph 11 hereof. If the cost of the merchandise in this inventory exceeds the cost of the merchandise in the previous inventory (as hereinafter defined) by ten percent (10%) or more, Contract Manager agrees to pay to Company an amount equal to such increase. Such amount shall be paid as follows, as Contract Manager shall elect: (1) Cash payment; (2) increase the unpaid balance of Contract Manager's promissory note by such amount; or (3) a combination of both (1) and (2) above. If the cost of the merchandise in this inventory is less than the cost of the merchandise in the previous inventory by ten percent (10%) or more, then Company shall reduce the unpaid balance of Contract Manager's promissory note by an amount equal to the decrease or, if the note has been fully paid, Company shall pay the amount of the reduction in cash. Any adjustment shall be effective the first day of the next calendar month following the month in which this inventory is taken.

In applying the provisions of this paragraph, the term "previous inventory" shall mean the most recent inventory where an adjustment was made under this paragraph or the initial inventory (paragraph 10) if there has been no prior adjustment.

13. <u>MONTHLY INVENTORY.</u> Company may take or cause to be taken at its expense a physical inventory of said store at least once each calendar month. Company shall endeavor, but is not required, to schedule the taking of these inventories so that not less than twenty-five (25) days and not more than thirty-nine (39) days elapse between them. Each such inventory shall

reflect all items of merchandise in said store at Contract Manager's retail prices for each such item, and the cost of the merchandise in each such inventory shall be the aggregate of such retail prices less an amount equal to Contract Manager's gross markup, as determined in accordance with paragraph 11 hereof.

Any unaccounted for cash or inventory variations (cash register overage and shortage) in excess of two-tenths (.2%) when compared with the most recent previous monthly inventory shall, at Company's option, be treated as either an addition to or deduction from sales, whichever the case may be.

The results of each such monthly inventory shall be used to determine, in accordance with Company's standard accounting procedures, the gross profit percentage on sales at said store since the last such monthly inventory, which percentage shall then be used to determine Contract Manager's net profit as of the end of the calendar month during which such monthly inventory is taken. If Company, for any reason, is unable to take a monthly inventory during any particular calendar month, then Company shall use the gross profit percentage determined as a result of the most recent previous monthly inventory of said store in determining Contract Manager's net profit for that particular calendar month.

14. ACCOUNTING AND BOOKKEEPING PROCEDURES. Company shall furnish an accounting and bookkeeping service which shall be used by Contract Manager in connection with the operation of said store.

Contract Manager shall remit daily to Company or to Company's designee, on report forms provided by Company, information concerning all purchases, merchandise deliveries, free and promotional merchandise received from suppliers, merchandise and service sales (including credit card and check transactions), money order sales and such other business transactions as Company may from time to time request, which occurred at said store during the previous day. Such remittance shall be transmitted to Company by a means designated by Company, which may include United States mail.

All merchandise and service sales at said store shall be recorded through the cash register, including merchandise taken for personal use by Contract Manager.

All money, including checks, received from all such merchandise sales, service sales and money order sales (including money order commissions), shall be deposited, not later than the next banking day after such sales, in Company's account in a bank designated by Company, and shall be credited by Company to Contract Manager's current account. Contract Manager shall forthwith transmit to Company a true copy of the deposit receipt for each such deposit bearing the bank's deposit stamp.

All receipts for credit card transactions at said store shall be transmitted to Company, or to Company's designee, not later than the next business day after such transactions, and the amounts reflected thereon less any fees or discounts charged by the bank in connection therewith, shall be credited by Company to Contract Manager's current account. Such receipts shall be transmitted to Company by a means designated by Company, which may include United States mail.

Company shall pay on Contract Manager's behalf all expenses of Contract Manager incurred in connection with the operation of said store, and Company shall charge the amount thereof to the Contract Manager's current account. Such expenses shall include, but not be limited to, the replacement of inventory, employee salaries, payroll taxes, maintenance expenses, taxes, license and permit fees, insurance, utilities and services, interest on Contract Manager's promissory note, laundry, dues, repairs, sales taxes, the Company Charge referred to in paragraph 18 hereof, dishonored checks, and dishonored credit card receipts, vacation pay and discounts, if any.

15. STORE OPERATIONS.

A. USE. The premises shall be used solely as a convenience grocery market and for the sale of only such types of merchandise as are usually sold at convenience grocery markets generally. The use of said premises for any other purpose is expressly prohibited without the written consent of Company in each instance.

B. HOURS. The Contract Manager shall keep the market open from 7:00 a.m. to 11:00 p.m. each and every day, except as otherwise authorized by Company and Contract Manager shall give his full time to operation of the market and shall energetically adopt and carry out the recommendations and policies of Company.

C. PERSONNEL. The Contract Manager shall maintain a sufficient number of personnel to maintain a high degree of customer service, and Contract Manager and the employees shall at all times present a neat and clean appearance and shall dress in a manner prescribed by Company.

D. ADVERTISING. Company shall use its best judgment in contracting for or employing capable persons to advertise The "Circle K" trade name and to promote the sale of products at The "Circle K" stores. All such advertising shall be at Company's expense. All window posters and "in-store advertising" shall be furnished by Company and properly displayed by the Contract Manager.

E. EQUIPMENT & MERCHANDISE. Contract Manager shall adhere to Company's specifications as to location of trade fixtures, inventory, special displays, and shall purchase and offer for sale only those items authorized by Company and in the amounts and brands approved by Company and as specified in Company's order guide.

16. INSURANCE. Contract Manager, at his expense, shall procure and keep in force such insurance as is required by the Master Lease and/or such other insurance which, in Company's judgment, is sufficient to adequately protect Company and Contract Manager from liability in connection with operation of the store. Company shall be named as the additional insured in all required insurance policies. However, the Contract Manager may at his option elect to have Company procure the required insurance to take advantage of any reduced rates obtainable under Company's blanket insurance, in which event, the cost of said insurance obtained through Company shall be borne by the Contract Manager.

17. PAYMENT OF CONTRACT MANAGER: Company shall guarantee Contract Manager the sum of One Hundred Twenty Five and 00/100 Dollars ($125.00) per week, or $275.00 bi-monthly, minus deductions for withholding and social security. This is not anticipated on any bonus or other compensation Contract Manager may make, nor is it a draw of any kind.

Company shall prepare and render a financial statement to Contract Manager, effective the end of each calendar month. Such financial statement shall be delivered to Contract Manager within a reasonable time after the end of each calendar month, and in no event more than thirty (30) days thereafter. Such financial statement shall be accompanied by an amount equal to Contract Manager's bonus, if any, for that month determined in accordance with Company's standard accounting procedure and reduced by Contract Manager's applicable payment on the unpaid balance, if any, of Contract Manager's promissory note, as determined in accordance with the terms of said note.

18. COMPANY CHARGE. As compensation to Company for the use of said premises, the rental of the fixtures and equipment located on said premises, the license to use Company's trademarks, trade names and The Circle K system, and for the other services agreed herein to be rendered by Company, Contract Manager agrees to pay to Company each and every month, a percentage of Contract Manager's gross sales for that month, to be determined in accordance with Exhibit B attached hereto and made a part hereof. Such sum shall be charged against Contract Manager's current account and is referred to herein as the "Company Charge".

19. MERCHANDISE DISCOUNTS. Discounts received by Company as a result of quantity purchases of products sold in the Circle K stores shall be distributed to each store by crediting Contract Manager's current account with the amount of such discounts attributable to the purchase of such products by Contract Manager at his store. Free merchandise, products and sums of money received from suppliers for advertising or promotional purposes for which Contract Manager is not charged, and advertising allowances received from suppliers shall be included in the general advertising budget of Company.

20. TERMINATION FOR DEFAULT. Each obligation and covenant of Contract Manager set forth in this Agreement shall be deemed a condition. In the event of any default or breach of any covenant, condition or other provision of this Agreement by Contract Manager, Company may, in addition to its other remedies, give Contract Manager written notice of termination specifying the default or breach prompting such notice; and, unless such default or breach is curred by Contract Manager within ten (10) days after such notice is given, this Agreement shall terminate at the expiration of such ten (10) days. Furthermore, Company, at its election, may terminate this Agreement forthwith upon written notice to Contract Manager upon the occurrence of one or more of the following events:

(a) In the event of any default by Contract Manager after Company's notice of two or more previous defaults of any kind, regardless of whether Contract Manager has curred such previous defaults;

(b) In the event Contract Manager sells, assigns, pledges, mortgages, or hypothecates any of the equipment or fixtures located in or about the premises, or any of the rights, licenses or interests granted in this Agreement, or attempts to do so, or allows any lien to attach thereto;

(c) In the event any insolvency, bankruptcy or receivership proceedings are instituted by or against Contract Manager;

(d) In the event Contract Manager ceases to operate said store as a convenience-type food store under The Circle K system, or abandons said store (abandonment shall be conclusively presumed in the event said store is not open for business during any period of forty-eight (48) consecutive hours);

(e) In the event Contract Manager fails to secure and keep currently effective such licenses and permits as are required herein;

(f) In the event Contract Manager fails to remit merchandise sales receipts and miscellaneous income and the face amount of any issued money order as provided in this Agreement;

(g) In the event Contract Manager breaches any covenant, condition or other provision of this Agreement which breach cannot be cured.

Waiver by Company of any default or defaults, or of any breach of any condition or covenant hereunder by Contract Manager shall not be construed as a waiver of any other default or breach hereunder.

21. TERMINATION BY CONTRACT MANAGER. Contract Manager may terminate this Agreement at any time during the term hereof by giving Company thirty (30) days written notice of such termination.

22. TERMINATION BY COMPANY - FIRST 12 MONTHS. Company may terminate this Agreement without cause upon ten (10) days written notice of termination given at any time during the first twelve (12) full calendar months of this Agreement.

23. RIGHT TO REENTER ON TERMINATION. In the event of Company terminating this Agreement under paragraphs 20 or 22 hereof, Company, immediately upon such termination, may reenter said premises and take possession of said premises. In the event of such reentry, Company may buy or sell or store, for the account of Contract Manager, any personal property, stock, inventory or merchandise of Contract Manager then on said premises and Contract Manager hereby appoints Company as Contract Manager's agent for such purposes. Company may retain out of the proceeds of any such sale any sums owing Company by Contract Manager without releasing Contract Manager from said indebtedness except to the extent of the amount so retained. Company may, at its discretion, pay out of said premises or otherwise any taxes or contributions owed by Contract Manager which in absence of payment would under applicable laws or regulations be an obligation of Contract Manager's successors, and Company may discharge any liens upon said goods. Contract Manager shall reimburse Company for any such payment in excess of such proceeds.

A termination of this Agreement shall not relieve Contract Manager of responsibility for obligations incurred prior to termination.

24. SURRENDER. Upon termination of this Agreement, by expiration or otherwise, Contract Manager shall peaceably and quietly surrender and yield up to Company said store, broom clean, and in as good order, condition and repair as the same now is or into which it may be put, reasonable use and wear thereof excepted, without notice or demand of any kind, all notice to quit or vacate hereby being expressly waived.

25. GOODWILL. It is understood by the parties hereto that the goodwill of the business and trade conducted at said store which may exist at the termination of this Agreement, whether by expiration or otherwise, shall belong solely to Company; and to protect Company's goodwill, Contract Manager shall keep confidential all of the business of Company and the methods of conducting such business and shall not do any act which would be in violation of the principles of good faith of the provisions of this Agreement. Contract Manager understands and agrees that, upon expiration or termination of this Agreement, for whatever cause and by whatever party, no credit will be allowed nor payment made to Contract Manager for goodwill.

26. CLOSING INVENTORY. Upon expiration or termination of this Agreement, for whatever reason and by whichever party, Company agrees to purchase from Contract Manager the closing inventory of said store as determined by a physical inventory of the merchandise, taken by Company at its expense. The purchase price of such closing inventory shall be, at Company's election, either the aggregate of Company's then effective suggested retail prices for the items of said inventory, less ____ percent (%) thereof, or the aggregate of Contract Manager's retail prices for the items of said inventory, less an amount equal to Contract Manager's gross markup, as determined in accordance with paragraph 11 hereof. The purchase price of said inventory, regardless of the method of calculation, shall exclude spoiled merchandise and merchandise which is unsaleable, damaged, shop-worn or which does not conform to the standards of paragraph 15(A) of this Agreement. Should Contract Manager desire to otherwise dispose of such closing inventory, Contract Manager agrees to pay to Company, at the completion of said physical inventory, an amount equal to the price offered hereunder by Company, and Company shall thereupon release any financing statement on such inventory and shall credit the amount so paid to Contract Manager's current account.

27. FINAL ACCOUNTING. Upon termination of this Agreement, or upon surrender of said premises by Contract Manager to Company if such surrender occurs after said termination, Company shall credit Contract Manager's current account with the amount of Contract Manager's security deposit (including unpaid interest thereon) and the purchase price of Contract Manager's closing inventory as determined in accordance with paragraph 26 hereof. Within sixty (60) days after said termination or after such surrender, whichever occurs later, Company shall deliver to Contract Manager a final accounting statement along with an amount equal to the credit balance, if any, to Contract Manager's current account. If Contract Manager's current account reflects a balance due Company, such amount shall be due and payable to Company upon delivery of such statement.

28. NOTICES. Any notices required to be given hereunder shall be deemed to have been properly given if delivered personally or mailed, postage prepaid, return receipt requested, to the addresses below, or to such other addresses as either party may designate in writing:

(a) COMPANY: THE CIRCLE K CORPORATION ______________________

____

____

(b) CONTRACT MANAGER: ______________________________

29. SOLE AGREEMENT. This Agreement cancels and supercedes any Agreement of prior date between the parties hereto with reference to the possession of the premises herein described and contains all of the covenants, stipulations, agreement, and considerations agreed upon by the parties hereto and no employee, agent, or representative of Company has any authority to change, modify or alter the terms hereof, except by written instrument executed upon and with the same authority as this Agreement and neither party is nor shall be bound by any inducement, statement, representation, promise, or agreement not in conformity herewith.

It is further agreed that this Agreement shall become binding upon Company upon execution by an authorized representative of The Circle K Corporation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this ___ day of _______________, 19____.

THE CIRCLE K CORPORATION

By: ______________________

Its: ______________________

CONTRACT MANAGER

____

ACKNOWLEDGMENTS

STATE OF) ss:
COUNTY OF) ss:

On this ____ day of ______________, A.D. 19______, before me, the undersigned, a Notary Public in and for said County and State, personally appeared ____, known to me (or proved to me on the oath of ___________________________) to be person or persons subscribed to the within instrument, and acknowledged to me that __________________ executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

____
Notary Public in and for said County and State

My Commission Expires:

____

STATE OF) ss:
COUNTY OF) ss:

On this ______ Day of __________________, A. D. 19______, before me, the undersigned, a Notary Public in and for said County and State, personally appeared ______________________, known to me to be the _______________ ______________________ of THE CIRCLE K CORPORATION, the corporation that executed the within instrument, known to be the person who executed the within instrument on behalf of the corporation herein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

____
Notary Public in and for said County and State

My Commission Expires:

____

EXHIBIT "A"

INVENTORY OF EQUIPMENT AND FIXTURES

The below listed equipment and fixtures have this day been delivered to CONTRACT OPERATOR and accepted by CONTRACT OPERATOR in accordance with the attached Agreement between CIRCLE K and CONTRACT OPERATOR.

NUMBER ON HAND	DESCRIPTION	MODEL NO.	SERIAL NO.
	Adder		
	Awning		
	Bottle Cart		
	Cash Register		
	Cash Register		
	Charcoal Cart (Metal or Wood)		
	Coffee Pot		
	Check Protector		
	Frozen Food Cabinet		
	Frozen Food Cabinet		
	Fire Extinguisher		
	Water, acid, DO2		
	Garden Hose		
	Hand Truck		
	Ice Chest		
	Ice Maker		
	Ice Merchandise		
	Ladder		
	Money Chest		
	Mop & Bucket		
	Novelty Box		
	Pop Cooler		
	Radio		
	Refrig. Equip. (W-in box and/or freezer)		
	Safe		
	Scale		
	Shelving		
	Shopping Cart		
	Signs		
	Slush Machines		
	Tamale Warmer		
	Trash Container		
	Produce Box		

WITNESS OUR HANDS this ___ day of ______________, 19___

By ______________________________

CONTRACT OPERATOR

ATTEST: ______________________________

____

EXHIBIT "B"

The following is the schedule of the Company Charges applicable to the attached Agreement between CIRCLE K and CONTRACT OPERATOR.

GROSS SALES PER MONTH	COMPANY CHARGE
$ -0- to 9,999.99	12.0% on Gross Sales
10,000.00 to 10,999.99	12.2% on Gross Sales
11,000.00 to 11,999.99	12.4% on Gross Sales
12,000.00 to 12,999.99	12.6% on Gross Sales
13,000.00 to 13,999.99	12.8% on Gross Sales
14,000.00 to 14,999.99	13.0% on Gross Sales
15,000.00 to 15,999.99	13.1% on Gross Sales
16,000.00 to 16,999.99	13.2% on Gross Sales
17,000.00 to 17,999.99	13.3% on Gross Sales
18,000.00 to 18,999.99	13.4% on Gross Sales
19,000.00 to 19,999.99	13.5% on Gross Sales
20,000.00 and Over	13.5% on Gross Sales

This schedule of Company Charges supersedes any previous charge schedule heretofore existing between the parties and is hereby accepted as part of the attached Agreement executed on the ____ day of ____________________ 19___.

GROSS SALES:

The Term "Gross Sales" as used in said Agreement and this Exhibit shall include the entire gross receipts of every kind and nature from sales and services made in, upon or from said store, whether on credit or for cash, in every department of said store, excepting therefrom any rebates or refunds to customers, refundable deposits on beverage bottles, transfer or exchange of merchandise between said store and any other CIRCLE K store where such transfer or exchange is made solely for the convenient operation of the business of said store and not for the purpose of consumating a previous sale or for the purpose of depriving CIRCLE K of the benefit of a sale, and the amount of all sales tax receipts which must be accounted for by CONTRACT OPERATOR to any government or governmental agency.

THE CIRCLE K CORPORATION

By ______________________________

CONTRACT OPERATOR

____

____

APPENDIX 8

PRO FORMA STATEMENTS OF PRESENT AND FUTURE GROWTH

TABLE 1

CIRCLE K CORPORATION

BALANCE SHEETS (COMMON SIZE)

ASSETS	1971 $	1971 %	1972 $	1972 %	1973 $	1973 %
CASH + S/T INVEST.	606.	18.2	954.	21.0	370.	7.3
ACC. & NOTES RCBL	103.	3.1	152.	3.3	303.	6.0
INVENTORIES	1137.	34.2	1479.	32.6	1921.	37.9
TOTAL CURRENT ASSETS	1846.	55.5	2585.	57.0	2594.	51.2
FIXED ASSETS	1887.	56.7	2425.	53.4	3053.	60.3
LESS: ACCUM. DEPR.	557.	16.7	721.	15.9	957.	18.9
OTHER ASSETS	152.	4.6	249.	5.5	374.	7.4
TOTAL ASSETS	3328.	100.0	4538.	100.0	5064.	100.0
EQUITIES						
NOTES PAYABLE	107.	3.2	7.	.2	140.	2.8
ACCOUNTS PAYABLE	487.	14.6	606.	13.4	761.	15.0
ACCRUALS & OTHER S/T	99.	3.0	144.	3.2	199.	3.9
CURRENT MATURITIES	3.	.1	12.	.3	8.	.2
TOTAL CURRENT LIAB	696.	20.9	769.	16.9	1108.	21.9
BONDS AND TERM DEBT	408.	12.3	1402.	30.9	1394.	27.5
OTHER CAPITAL*	-155.	-4.7	-485.	-10.7	-573.	-11.3
EQUITY	2379.	71.5	2852.	62.8	3135.	61.9
TOTAL LIAB & EQUITY	3328.	100.0	4538.	100.0	5064.	100.0

*PFD, MINORITY INTERESTS, ETC.

INCOME STATEMENTS

	1971 $	1971 %	1972 $	1972 %	1973 $	1973 %
REVENUES	12898.	100.0	16141.	100.0	19164.	100.0
COST OF GOODS SOLD	9289.	72.0	11761.	72.9	13684.	71.4
G & A	2776.	21.5	3357.	20.8	4392.	22.9
SELLING & OTHER EXP.	6.	.0	7.	.0	7.	.0
NET OTHER Y OR EXP.	59.	.5	48.	.3	59.	.3
INTEREST EXPENSE	30.	.2	55.	.3	71.	.4
TAXES	341.	2.6	410.	2.5	418.	2.2
NET PROFIT	515.	4.0	599.	3.7	650.	3.4
MEMO: DEPRECIATION=	160.		211.		255.	

TABLE 2

TRENDS FROM THE BASE YEAR

BALANCE SHEETS

ASSETS	1971 %	1972 %	1973 %
CASH + S/T INVEST.	100.0	157.4	61.1
ACC. & NOTES RCBL	100.0	147.6	294.2
INVENTORIES	100.0	130.1	169.0
TOTAL CURRENT ASSETS	100.0	140.0	140.5
FIXED ASSETS	100.0	128.5	161.8
LESS: ACCUM. DEPR.	100.0	129.4	171.8
OTHER ASSETS	100.0	163.8	246.1
TOTAL ASSETS	100.0	136.4	152.2
EQUITIES			
NOTES PAYABLE	100.0	6.5	130.8
ACCOUNTS PAYABLE	100.0	124.4	156.3
ACCRUALS & OTHER S/T	100.0	145.5	201.0
CURRENT MATURITIES	100.0	400.0	266.7
TOTAL CURRENT LIAB	100.0	110.5	159.2
BONDS AND TERM DEBT	100.0	343.6	341.7
OTHER CAPITAL*	100.0	312.9	369.7
EQUITY	100.0	119.9	131.8
TOTAL LIAB & EQUITY	100.0	136.4	152.2

*PFD, MINORITY INTERESTS, ETC.

INCOME STATEMENTS

	1971 %	1972 %	1973 %
REVENUES	100.0	125.1	148.6
COST OF GOODS SOLD	100.0	126.6	147.3
G & A	100.0	120.9	158.2
SELLING & OTHER EXP.	100.0	116.7	125.0
NET OTHER Y OR EXP.	100.0	81.4	100.0
INTEREST EXPENSE	100.0	183.3	236.7
TAXES	100.0	120.2	122.6
NET PROFIT	100.0	116.3	126.3

TABLE 3

OPERATING RATIOS

	1971	1972	1973	
NET WORKING CAPITAL	1150.0	1816.0	1486.0	THOUS.
CURRENT RATIO	2.7	3.4	2.3	TO 1
ACID TEST RATIO	1.0	1.4	.6	TO 1
OWNERS EQUITY RATIO	66.8	52.2	50.6	PERCENT
LONG TERM DEBT TO NET WORTH	18.3	59.2	54.4	PERCENT
AVERAGE COLLECTION PERIOD	2.9	3.4	5.8	DAYS
RECEIVABLES TURNOVER	125.2	106.2	63.2	TIMES
DAYS SUPPLY OF INVENTORY	44.7	45.9	51.2	DAYS
ENDING INVENTORY TURNOVER	8.2	8.0	7.1	TIMES
AVERAGE ACCOUNTS PAYABLE PERIOD	19.1	18.8	20.3	DAYS
PAYABLES TURNOVER	19.1	19.4	18.0	TIMES
ASSET TURNOVER	3.9	3.6	3.8	TIMES
NET PROFIT TO TOTAL SALES	4.0	3.7	3.4	PERCENT
RETURN ON TOTAL ASSETS	15.5	13.2	12.8	PERCENT
EBIT TO TOTAL ASSETS	26.6	23.4	22.5	PERCENT
NET PROFIT TO NET WORTH	23.2	25.3	25.4	PERCENT
BASIC DEFENSIVE INTERVAL	21.4	26.7	13.6	DAYS

TABLE 4

MUNFORD INC.

BALANCE SHEETS (COMMON SIZE)

ASSETS	1971		1972		1973	
	$	%	$	%	$	%
CASH + S/T INVEST.	296.	5.6	249.	4.3	248.	3.9
ACC. & NOTES RCBL	392.	7.4	442.	7.7	570.	9.1
INVENTORIES	1711.	32.1	2117.	36.7	2290.	36.4
TOTAL CURRENT ASSETS	2399.	45.0	2808.	48.7	3108.	49.4
FIXED ASSETS	4219.	79.2	4378.	75.9	4803.	76.3
LESS: ACCUM. DEPR.	1650.	31.0	1778.	30.8	1962.	31.2
OTHER ASSETS	360.	6.8	361.	6.3	344.	5.5
TOTAL ASSETS	5328.	100.0	5769.	100.0	6293.	100.0
EQUITIES						
NOTES PAYABLE	0.	.0	0.	.0	0.	.0
ACCOUNTS PAYABLE	795.	14.9	928.	16.1	1140.	18.1
ACCRUALS & OTHER S/T	199.	3.7	232.	4.0	285.	4.5
CURRENT MATURITIES	95.	1.8	98.	1.7	127.	2.0
TOTAL CURRENT LIAB	1089.	20.4	1258.	21.8	1552.	24.7
BONDS AND TERM DEBT	2083.	39.1	2103.	36.5	2348.	37.3
OTHER CAPITAL*	-422.	-7.9	-408.	-7.1	-687.	-10.9
EQUITY	2578.	48.4	2816.	48.8	3080.	48.9
TOTAL LIAB & EQUITY	5328.	100.0	5769.	100.0	6293.	100.0

*PFD, MINORITY INTERESTS, ETC.

INCOME STATEMENTS

	1971		1972		1973	
	$	%	$	%	$	%
REVENUES	14081.	100.0	15522.	100.0	19852.	100.0
COST OF GOODS SOLD	9510.	67.5	10556.	68.0	13695.	69.0
G & A	541.	3.8	569.	3.7	722.	3.6
SELLING & OTHER EXP.	3186.	22.6	3506.	22.6	4424.	22.3
NET OTHER Y OR EXP.	-67.	-.5	-72.	-.5	-99.	-.5
INTEREST EXPENSE	94.	.7	116.	.7	137.	.7
TAXES	232.	1.6	240.	1.5	273.	1.4
NET PROFIT	451.	3.2	463.	3.0	502.	2.5
MEMO: DEPRECIATION=	276.		264.		282.	

TABLE 5

TRENDS FROM THE BASE YEAR

BALANCE SHEETS

ASSETS	1971 %	1972 %	1973 %
CASH + S/T INVEST.	100.0	84.1	83.8
ACC. & NOTES RCBL	100.0	112.8	145.4
INVENTORIES	100.0	123.7	133.8
TOTAL CURRENT ASSETS	100.0	117.0	129.6
FIXED ASSETS	100.0	103.8	113.8
LESS: ACCUM. DEPR.	100.0	107.8	118.9
OTHER ASSETS	100.0	100.3	95.6
TOTAL ASSETS	100.0	108.3	118.1
EQUITIES			
NOTES PAYABLE	100.0	.0	.0
ACCOUNTS PAYABLE	100.0	116.7	143.4
ACCRUALS & OTHER S/T	100.0	116.6	143.2
CURRENT MATURITIES	100.0	103.2	133.7
TOTAL CURRENT LIAB	100.0	115.5	142.5
BONDS AND TERM DEBT	100.0	101.0	112.7
OTHER CAPITAL*	100.0	96.7	162.8
EQUITY	100.0	109.2	119.5
TOTAL LIAB & EQUITY	100.0	108.3	118.1

*PFD, MINORITY INTERESTS, ETC.

INCOME STATEMENTS

	1971 %	1972 %	1973 %
REVENUES	100.0	110.2	141.0
COST OF GOODS SOLD	100.0	111.0	144.0
G & A	100.0	105.2	133.5
SELLING & OTHER EXP.	100.0	110.0	138.9
NET OTHER Y OR EXP.	100.0	107.5	147.8
INTEREST EXPENSE	100.0	123.4	145.7
TAXES	100.0	103.4	117.7
NET PROFIT	100.0	102.7	111.3

TABLE 6

OPERATING RATIOS

	1971	1972	1973	
NET WORKING CAPITAL	1310.0	1550.0	1556.0	THOUS.
CURRENT RATIO	2.2	2.2	2.0	TO 1
ACID TEST RATIO	.6	.5	.5	TO 1
OWNERS EQUITY RATIO	40.5	41.7	38.0	PERCENT
LONG TERM DEBT TO NET WORTH	96.6	87.3	98.1	PERCENT
AVERAGE COLLECTION PERIOD	10.2	10.4	10.5	DAYS
RECEIVABLES TURNOVER	35.9	35.1	34.8	TIMES
DAYS SUPPLY OF INVENTORY	65.7	73.2	61.0	DAYS
ENDING INVENTORY TURNOVER	5.6	5.0	6.0	TIMES
AVERAGE ACCOUNTS PAYABLE PERIOD	30.5	32.1	30.4	DAYS
PAYABLES TURNOVER	12.0	11.4	12.0	TIMES
ASSET TURNOVER	2.6	2.7	3.2	TIMES
NET PROFIT TO TOTAL SALES	3.2	3.0	2.5	PERCENT
RETURN ON TOTAL ASSETS	8.5	8.0	8.0	PERCENT
EBIT TO TOTAL ASSETS	14.6	14.2	14.5	PERCENT
NET PROFIT TO NET WORTH	20.9	19.2	21.0	PERCENT
BASIC DEFENSIVE INTERVAL	19.0	17.2	15.8	DAYS

TABLE 7

PROFORMA STATEMENTS FOR
MUNFORD INC.

BALANCE SHEET

	ACTUALS	PROFORMA				
ASSETS	1973	1974	1975	1976	1977	1978
CASH	2478.	8421.	11113.	13806.	16499.	19192.
A/R	5704.	6529.	7386.	8243.	9100.	9957.
INVENTORY	22899.	26277.	29727.	33177.	36627.	40077.
NET F/A	28404.	31500.	34500.	37500.	40500.	43500.
OTH ASTS	3440.	3440.	3440.	3440.	3440.	3440.
TOTAL	62925.	76167.	86167.	96167.	106167.	116167.
LIAB & EQTY						
NOTES PAY	0.	0.	0.	0.	0.	0.
A/P & ACC	14251.	16406.	18560.	20715.	22869.	25023.
CUR MATS	1272.	0.	0.	0.	0.	0.
L/T DEBT	23482.	23482.	23482.	23482.	23482.	23482.
OTH CAPTL	-6876.	-6876.	-6876.	-6876.	-6876.	-6876.
COM EQTY	30796.	34614.	39212.	44590.	50748.	57686.
#DEF(EXC)	0.	8540.	11788.	14256.	15944.	16852.
TOTAL	62925.	76167.	86167.	96167.	106167.	116167.

#DEFICIT MEANS ASSETS > THAN LIABS.
EXCESS MEANS ASSETS < THAN LIABS.

**INCOME STATEMENT

REVENUES	198524.	228500.	258500.	288500.	318500.	348500.
C G S	136951.	157665.	178365.	199065.	219765.	240465.
OPER EXP	51459.	59410.	67210.	75010.	82810.	90610.
OTHER Y/E	-990.	-990.	-990.	-990.	-990.	-990.
INTEREST	1374.	1303.	1303.	1303.	1303.	1303.
TAXES	2734.	4377.	5097.	5817.	6537.	7257.
NET PROFIT	5016.	4755.	5535.	6315.	7095.	7875.
DEPR	2815.	3100.	3400.	3700.	4000.	4300.
PFD DIVS	347.	347.	347.	347.	347.	347.
COM DIVS	590.	590.	590.	590.	590.	590.
AVAIL FDS	6894.	6918.	7998.	9078.	10158.	11238.

TABLE 8

PROFORMA STATEMENTS FOR
CIRCLE K CORPORATION

BALANCE SHEET

	ACTUALS	PROFORMA				
	*******	**				
ASSETS	1973	1974	1975	1976	1977	1978
CASH	3696.	19223.	21704.	24185.	26666.	29147.
A /R	3025.	3524.	4000.	4476.	4952.	5429.
I NVENTORY	19209.	22517.	25560.	28603.	31646.	34689.
NET F/A	20965.	25000.	29000.	33000.	37000.	41000.
OTH ASTS	3736.	3736.	3736.	3736.	3736.	3736.
TOTAL	50631.	74000.	84000.	94000.	104000.	114000.
LIAB & EQTY						
NOTES PAY	1400.	1400.	1400.	1400.	1400.	1400.
A/P & ACC	9597.	11055.	12549.	14042.	15536.	17030.
C UR MATS	75.	0.	0.	0.	0.	0.
L /T DEBT	13937.	13937.	13937.	13937.	13937.	13937.
OTH CAPTL	-5731.	-5731.	-5731.	-5731.	-5731.	-5731.
COM EQTY	31353.	36979.	43542.	51040.	59475.	68845.
# DEF(EXC)	0.	16360.	18304.	19311.	19383.	18519.
TOTAL	50631.	74000.	84000.	94000.	104000.	114000.

#DEFICIT MEANS ASSETS > THAN LIABS.
EXCESS MEANS ASSETS < THAN LIABS.

**INCOME STATEMENT

REVENUES	191640.	222000.	252000.	282000.	312000.	342000.
C G S	136836.	157620.	178920.	200220.	221520.	242820.
OPER EXP	43992.	51060.	57960.	64860.	71760.	78660.
O THER Y/E	594.	594.	594.	594.	594.	594.
INTEREST	710.	707.	707.	707.	707.	707.
TAXES	4180.	6333.	7197.	8061.	8925.	9789.
NET PROFIT	6516.	6874.	7810.	8746.	9682.	10618.
DEPR	2551.	3000.	3500.	4000.	4500.	5000.
P FD DI VS	0.	0.	0.	0.	0.	0.
C OM DI VS	1248.	1248.	1248.	1248.	1248.	1248.
AVAIL FDS	7819.	8626.	10062.	11498.	12934.	14370.

APPENDIX 9

QUESTIONNAIRE

THE CIRCLE K CORPORATION
CONVENIENCE FOOD STORES

815 10TH AVENUE N.W.
P.O. BOX 2248
GREAT FALLS, MONTANA 59404
TELEPHONE (406)761-4452

Dear Customer:

You have been selected to participate in a survey of the Circle K Corporation.

Will you cooperate by completing the attached questionnaire and returning it on your next visit to the Circle K store?

The results of this survey will help the Circle K Corporation in determinging future policies and programs to serve our customers better.

Your cooperation is greatly appreciated.

Sincerely yours,

CIRCLE K CORPORATION

CUSTOMER QUESTIONNAIRE

These questions, which should only take a minute or two to answer, are designed to tell us how we can serve you better. For that reason, it is important that you answer all questions completely and frankly and that you return the completed questionnaire as soon as possible.

1. How many days per week do you shop at a Circle K store?

   _____

2. Approximately how much money do you spend on items when you shop at Circle K?_____

3. Do you purchase gasoline at Circle K one or more times per month?_____

4. Please check all of those goods and services which can be found at a Circle K store.

   _____ Convenience
   _____ Ice
   _____ Magazines
   _____ Greeting Cards
   _____ Fresh fruits and vegetables
   _____ Hunting ammunition
   _____ Money orders
   _____ Cashing of travelers checks
   _____ Gasoline and oil
   _____ Sandwiches

5. In your opinion, what are the most useful Circle K goods and services? Circle the number which expresses your opinion of each of the following. (Circle only one rating on each line.)

	Very Useful					Useless	No Opinion
Convenience	6	5	4	3	2	1	0
Ice	6	5	4	3	2	1	0
Magazines	6	5	4	3	2	1	0
Greeting cards	6	5	4	3	2	1	0
Groceries	6	5	4	3	2	1	0
Beer, milk and other beverages	6	5	4	3	2	1	0
Hunting ammunition	6	5	4	3	2	1	0
Money orders	6	5	4	3	2	1	0
Cashing of travelers checks	6	5	4	3	2	1	0
Gasoline and Oil	6	5	4	3	2	1	0
Sandwiches	6	5	4	3	2	1	0

6. Please rate each of the following aspects of the Circle K store.

	Unsatis-factory 6	5	4	3	2	Satis-factory 1	No Opini 0
Location of store	6	5	4	3	2	1	0
Attractiveness of store	6	5	4	3	2	1	0
Cleanliness of store	6	5	4	3	2	1	0
Efficiency of store clerk	6	5	4	3	2	1	0
Courtesy of store clerk	6	5	4	3	2	1	0
Selection of grocery items	6	5	4	3	2	1	0
Hours of operation	6	5	4	3	2	1	0
Type and quality of advertising	6	5	4	3	2	1	0

7. Are there any other goods or services you would like to see offered by your Circle K store? Please add any comments you would like to make.____________________________

____

____

____

Thank you for your cooperation.

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