



MEMORANDUM REPORT

December 22, 1998

TO: County Council

FROM: Joan M. Pedersen, Program Evaluator
Office of Legislative Oversight

SUBJECT: OLO Memorandum Report: FY 98 Financial Activity for Department of Liquor Control Contracted Stores

This report provides an update on the FY 98 financial activity of the Department of Liquor Control (DLC) program to contract retail outlets. Based on revenue and expenditure information obtained from DLC, the Office of Legislative Oversight (OLO) prepared several statements that compare and contrast financial activity of the four contracted stores. The contracted stores are: Kensington, Muddy Branch, Pike, and Flower Avenue.

Two sets of financial statements are attached. The first set (Circles 1-5) show financial activity for the four contracted stores for FY 98 as compared to the average activity for the DLC stores, then show activity for each contracted store for FY 98 as compared to store performance in FY 97. The second set of statements (Circles 6-9) display the financial history of the contracted stores for one year prior to contracting and for each year since the stores were contracted. There is one statement for each of the four contracted stores.

The financial statements for FY 98 include the following:

- ◆ Comparison of contracted stores to the average activity for 21 DLC stores (Circle 1a)
(excludes the Milestone store, which was open only part of the year in FY 98)
- ◆ Comparison of contracted stores to average activity for 17 DLC stores that are not contracted (excludes the Milestone store, which was open only part of the year in FY 98) (Circle 1b)
- ◆ Financial activity from FY 97 to FY 98 for the Kensington store (Circle 2)
- ◆ Financial activity from FY 97 to FY 98 for the Muddy Branch store (Circle 3)
- ◆ Financial activity from FY 97 to FY 98 for the Pike store (Circle 4)
- ◆ Financial activity from FY 97 to FY 98 for the Flower Avenue store (Circle 5)

Office of Legislative Oversight

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The statements showing the financial history of the contracted stores include the following:

- ◆ Financial activity from FY 92 through FY 98 for the Kensington store (Circle 6)
- ◆ Financial activity from FY 92 through FY 98 for the Muddy Branch store (Circle 7)
- ◆ Financial activity from FY 92 through FY 98 for the Pike store (Circle 8)
- ◆ Financial activity from FY 94 through FY 98 for the Flower Avenue store (Circle 9)

Comparison of Contract Store Performance Against Averages

The first financial statement (Circle 1a) shows financial activity for each of the four contracted stores in FY 98 and the average for 21 DLC stores, which includes the contracted stores but not the Milestone store because it was open for only part of FY 98. The second financial statement (Circle 1b) shows financial activity for each of the four contracted stores in FY 98 and the average for 17 DLC stores that are not contracted, which also excludes the Milestone store. Highlights of the statements include:

- Three of the four contracted stores were above-average in gross sales, as shown below:

Average for 21 stores (including contracted stores)	\$ 2,053,047
Average for 17 stores (excluding contracted stores)	2,005,527
Kensington	2,295,555
Muddy Branch	2,707,559
Pike	2,931,785
Flower Avenue	1,085,123

- Sales to licensees were above-average for two of the contracted stores, as demonstrated by the level of discounts given by the contractors:

Average for 21 stores (including contracted stores)	\$ 34,226
Average for 17 stores (excluding contracted stores)	35,011
Kensington	30,994
Muddy Branch	45,461
Pike	51,681
Flower Avenue	8,029

- Net income for three of the contracted stores was higher than the average in both dollars and as a percent of net sales. Net income amounts in FY 98 for the average liquor store and the contracted stores were:

Average for 21 stores	\$ 200,600	9.94 percent of net sales
Average for 17 stores	177,019	8.98 percent of net sales
Kensington	339,387	14.19 percent of net sales
Muddy Branch	482,600	18.13 percent of net sales
Pike	347,563	12.04 percent of net sales
Flower Avenue	37,574	3.49 percent of net sales

- Of the four contracted stores, the Muddy Branch store returned the highest net income to the County, even though the store did not have the highest net sales. This may be explained in part by the lower rental expenses incurred at the Muddy Branch store as compared to the other contracted stores. Note that rental expense for the Pike store was more than twice that for the average store. The higher rent at the Pike store is due to the size and location of the store.
- For comparison purposes, commissions paid to store contractors were combined with DLC personnel costs (for time spent on audits of inventories) and displayed on the same line as personnel costs associated with operation of an average store. The detail for personnel costs incurred by DLC and commissions paid to store contractors in FY 98 were:

	<u>Kensington</u>	<u>Muddy Branch</u>	<u>Pike</u>	<u>Flower Avenue</u>
Contractor Commissions	\$137,789	\$169,241	\$195,760	\$137,279
DLC Personnel Costs	36,568	9,967	13,697	5,994
Total Personnel/Commissions	<u>\$174,357</u>	<u>\$179,208</u>	<u>\$209,457</u>	<u>\$143,273</u>

Comparison of Kensington Retail Store Financial Activity

The financial statement at Circle 2 shows financial activity of the Kensington store for FY 98 compared to FY 97. The store began operation under contract as of October 19, 1992. The County successfully rebid the contract for this store during FY 98 and reduced the contractor commission rates for the new three year contract. As of December 8, 1997, commissions paid on regular sales fell from 9.20 percent of net sales to 6.25 percent, and commissions paid on sales to licensees fell from 2.00 percent to .99 percent.

The FY 97 and FY 98 activity shown in the financial statement represent 12 full months of contractor performance each year. The first pair of columns show FY 97 activity; the second pair show FY 98 activity; and the third pair show the change from FY 97 to FY 98. Highlights of the statement include:

- Net sales decreased from FY 97 to FY 98 by \$120,652 (-2.04 percent).
- Discounts given (mostly to licensees) decreased by \$6,745 (-21.76 percent) from discounts given in FY 97.
- There was also a net decrease in the personnel services/contractor commissions of \$40,303 (-18.78 percent). Although DLC personnel costs increased substantially during FY 98, the County paid lower contractor commissions due to a combination lower sales volume and a commission rate reduction that took effect in mid-year. Details are as follows:

<u>Category</u>	<u>FY 97</u>	<u>FY 98</u>	<u>Change</u>	<u>% Change</u>
DLC personnel services	\$ 10,559	\$ 36,568	\$ 26,009	+ 246.32
Contractor commissions	204,101	137,789	(66,312)	- 32.49
Totals	<u>\$214,660</u>	<u>\$174,357</u>	<u>\$ (40,303)</u>	- 18.78

- Total operating expenses decreased by \$37,369 (-8.48 percent) from FY 97 to FY 98. Major changes in operating expenses included: personnel services/contractor commissions decreased by \$40,303, partly due to lower sales at the store and higher DLC personnel costs for inventory audits; credit card service fees increased by \$2,094; repairs and maintenance costs increased by \$7,693; and warehouse expenses allocated to the store decreased by \$5,951, because of lower sales during the year.
- Although operating expenses were lower for the Kensington store in FY 98, the more dramatic drop in sales revenues offset any savings in expenses, so net income to the County decreased by \$3,838 (-1.13 percent) from FY 97.

Comparison of Muddy Branch Retail Store Financial Activity

The financial statement at Circle 3 shows financial activity of the Muddy Branch store for FY 98 compared to FY 97. This store began operation under contract on December 7, 1992. The County successfully rebid the contract for this store during FY 98 and reduced the contractor commission rates for the new three year contract. As of October 26, 1997, commissions paid on regular sales fell from 8.50 percent of net sales to 6.24 percent, and commissions paid on sales to licensees fell from 2.00 percent to 1.95 percent.

The FY 97 and FY 98 activity shown in the financial statement represent 12 full months of contractor performance each year. The first pair of columns show FY 97 activity; the second pair show FY 98 activity; and the third pair show the change from FY 97 to FY 98. Highlights of the statement include:

- Net sales increased from FY 97 to FY 98 by \$124,091 (+4.89) percent.
- Discounts given (mostly to licensees) increased only \$539 (+1.19 percent) from discounts given in FY 97.
- There was a net decline in the personnel services/contractor commissions of \$28,471 (-13.71 percent). Although DLC personnel costs increased slightly during FY 98, contractor commissions declined, primarily due to a reduction in commission rates during FY 98. Details are as follows:

<u>Category</u>	<u>FY 97</u>	<u>FY 98</u>	<u>Change</u>	<u>% Change</u>
DLC personnel services	\$ 9,648	\$ 9,967	\$ 319	+ 3.31
Contractor commissions	198,031	169,241	(28,790)	- 14.54
Totals	<u>\$207,679</u>	<u>\$179,208</u>	<u>\$ (28,471)</u>	- 13.71

- Total operating expenses decreased by \$24,536 (-5.97 percent) from FY 97 to FY 98. Major changes in operating expenses included: contractor commissions/personnel costs declined by \$28,471; repairs and maintenance costs fell \$1,973; credit card service fees increased by \$3,845; miscellaneous expenses increased by \$2,782; and warehouse expenses allocated to the store went up by \$1,067 because of higher sales for the year

- Because of higher sales revenues and lower operating expenses, the Muddy Branch store produced an increase in net income to the County of \$42,073 (+9.55 percent) in FY 98 over FY 97.

Comparison of Pike Retail Store Financial Activity

The financial statement at Circle 4 shows financial activity of the Pike store for FY 97 compared to FY 98. This store began operation under contract on October 26, 1992. The County successfully rebid the contract for this store during FY 98 and reduced the contractor commission rates for the new three year contract. As of November 1, 1997, commissions paid on regular sales fell from 10.75 percent of net sales to 5.99 percent, and commissions paid on sales to licensees fell from 2.00 percent to 1.95 percent.

The FY 97 and FY 98 activity shown in the financial statement represent 12 full months of contractor performance each year. The first pair of columns show FY 97 activity; the second pair show FY 98 activity; and the third pair show the change from FY 97 to FY 98. Highlights of the statement include:

- Net sales declined from FY 97 to FY 98 by \$160,167 (-5.26 percent).
- Discounts given (mostly to licensees) decreased by \$6,107 (-11.82 percent) from discounts given in FY 97.
- There was a net decrease in the personnel services/contractor commissions of \$121,025 (-36.62 percent). DLC personnel costs declined slightly in FY 98, and commissions paid to the contractor fell substantially in due to combination of lower sales and a mid-year reduction in the commission rate that was paid on sales. Details are as follows:

<u>Category</u>	<u>FY 97</u>	<u>FY 98</u>	<u>Change</u>	<u>% Change</u>
DLC personnel services	\$ 14,334	\$ 13,697	\$ (637)	- 4.44
Contractor commissions	316,148	195,760	120,388	- 38.08
Totals	<u>\$330,482</u>	<u>\$209,457</u>	<u>\$ (121,025)</u>	- 36.62

- Total operating expenses decreased from FY 97 to FY 98 by \$125,896, or -17.87 percent. Major changes in operating expenses included: personnel services/contractor commissions fell \$121,025, partly due to a decrease in sales at the store; repairs and maintenance declined by \$2,192; utilities expense decreased by \$1,665; miscellaneous expenses dropped by \$1,858; warehouse expenses allocated to the store decreased by \$6,317; credit card service fees increased by \$2,253; and rental expenses increased by \$6,084.
- Although sales volume decreased in FY 98, there was a more substantial decline in operating expenses, so net income to the County increased by \$31,319 (+9.90 percent) over FY 97.

Comparison of Flower Avenue Retail Store Financial Activity

The financial statement at Circle 5 shows financial activity of the Flower Avenue store for FY 98 compared to FY 97. This store began operation under contract on September 19, 1994. During FY 98, the County extended the contract to September 15, 2001. Sales commission rates paid to the contractor during FY 98 were based on the following terms:

- 13.50 percent on regular net sales to \$999,999
- 10.00 percent on regular net sales in range \$1,000,000-1,249,999
- 8.00 percent on regular net sales in range \$1,250,000-1,999,999
- 6.50 percent on regular net sales at \$2,000,000 or over
- 2.00 percent on licensee and ride-on bus fare card sales

The FY 97 and FY 98 activity shown in the financial statement represent 12 full months of contractor performance each year. The first pair of columns show the FY 97 activity; the second pair show FY 98 activity; and the third pair show the change from FY 97 to FY 98. Highlights of the statement include:

- Net sales increased from FY 97 to FY 98 by \$34,792 (+3.34 percent).
- Discounts given (mostly to licensees) declined by \$286 (-3.56 percent) from discounts given in FY 97.
- Total operating expenses increased by \$1,038 (+0.34 percent) from FY 97 to FY 98. Major changes in operating expenses included: credit card service fees increased by \$1,016; rental expenses increased by \$1,811; and utilities dropped by \$1,568; and personnel services/contractor commissions increased by \$2,284.
- The slight increase in operating expenses was more than offset by higher sales at the Flower Avenue store in FY 98, resulting in higher income to the County of \$13,827 (+58.23 percent) over net income contributed by the store in FY 97.

Financial History of the Contracted Stores

There are four statements at Circles 6-9, one for each of the contracted stores. Each statement shows financial activity for each year and the cumulative effects of performance since the store was contracted out. At Circles 6-8 are statements for the Kensington, Muddy Branch, and Pike stores that show activity for FYs 92 through 98. All three stores were contracted out during FY 93, so the financial activity shown for that fiscal year represents between seven to nine months of contractor performance (contracts began October 19, 1992; October 26, 1992; and December 7, 1992). FY 92 was used as the base year for comparison, since that was the last full year the County operated the three stores.

The fourth store is Flower Avenue, which was contracted out during FY 95 (the contract began September 19, 1994). The statement at Circle 9 shows financial activity for this store for FYs 94 through 98. FY 94 was used as the base year for comparison, since that was the last full year the County operated the Flower Avenue store.

The tables that follow highlight key results of the FY 97 operation of each of the four contracted stores as compared to the last full year of County operation.

Changes in key indicators for the Kensington store from FY 92 to FY 98 include:

	FY 92	FY 98	Change	
Net Sales	1,903,894	2,271,306	367,412	<i>19.3% increase</i>
Cost of Goods Sold	1,240,016	1,523,776	283,760	
Operations Gross Profit	663,878	747,530	83,652	
Deduct: Operating Expenses	412,921	403,171	(9,750)	
Depreciation	17,101	9,062	(8,039)	
Net Operating Income	233,856	335,297	101,441	
Add/Deduct: Other	2,134	252	(1,882)	
Net Income	\$ 235,990	\$ 335,549	\$ 99,559	<i>42.2% increase</i>

(Detail for FYs 92 through 98 and the cumulative effects on net income for the Kensington store are shown in the statement at Circle 6.)

Changes in key indicators for the Muddy Branch store from FY 92 to FY 98 include:

	FY 92	FY 98	Change	
Net Sales	1,729,544	2,661,559	932,015	<i>53.9% increase</i>
Cost of Goods Sold	1,109,306	1,782,724	673,418	
Operations Gross Profit	620,238	878,835	258,597	
Deduct: Operating Expenses	334,253	386,381	52,128	
Depreciation	14,760	10,148	(4,612)	
Net Operating Income	271,225	482,306	211,081	
Add/Deduct: Other	1,948	294	(1,654)	
Net Income	\$ 273,173	\$ 482,600	\$ 209,427	<i>76.7% increase</i>

(Detail for FYs 92 through 98 and cumulative effects on net income for the Muddy Branch store are shown in the statement at Circle 7.)

Changes in key indicators for the Pike store from FY 92 to FY 98 include:

	FY 92	FY 98	Change	
Net Sales	1,773,538	2,886,211	1,112,673	<i>62.7% increase</i>
Cost of Goods Sold	1,158,263	1,948,060	789,797	
Operations Gross Profit	615,275	938,151	322,876	
Deduct: Operating Expenses	507,049	578,710	71,661	
Depreciation	14,832	12,197	(2,635)	
Net Operating Income	93,394	347,244	253,850	
Add/Deduct: Other	1,989	319	(1,670)	
Net Income	\$ 95,383	\$ 347,563	\$ 252,180	<i>264.4% increase</i>

(Detail for FYs 92 through 98 and cumulative effects on net income for the Pike store are shown in the statement at Circle 8.)

Changes in key indicators for the Flower Avenue store from FY 94 to FY 98 include:

	FY 94	FY 98	Change	
Net Sales	823,431	1,077,380	253,949	30.8% increase
Cost of Goods Sold	553,602	723,369	169,767	
Operations Gross Profit	269,829	354,011	84,182	
Deduct: Operating Expenses	329,383	310,373	(19,010)	
Depreciation	5,325	6,183	858	
Net Operating Income	(64,879)	37,455	102,334	
Add/Deduct: Other	447	119	(328)	
Net Income	\$ (64,432)	\$ 37,574	\$ 102,006	158.3% increase

(Detail for FYs 94 through 98 and cumulative effects on net income for the Flower Avenue store are shown in the statement at Circle 9.)

Changes in key indicators for the average activity of 21 stores in the DLC store system from FY 92 to FY 98 include:

	FY 92	FY 98	Change	
Net Sales	1,641,633	2,018,820	377,187	23.0% increase
Cost of Goods Sold	1,065,729	1,357,842	292,113	
Operations Gross Profit	575,904	660,978	85,074	
Deduct: Operating Expenses	370,779	452,812	82,033	
Depreciation	12,106	7,789	(4,317)	
Net Operating Income	193,019	200,377	(7,358)	
Add/Deduct: Other	1,842	223	(1,619)	
Net Income	\$ 194,861	\$ 200,600	\$ 5,739	3.0% increase

(The FY 92 column shows averages for 21 stores that were operated by DLC that year. The Burtonsville store is not included because the store sustained a loss in FY 92 and was subsequently closed. The FY 98 column shows averages for a combination of 17 DLC-operated stores plus the 4 contracted stores. Activity for the new Milestone store is excluded from FY 98, since the store was open for only part of the fiscal year.)

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Changes in key indicators for the average activity of 17 DLC-operated stores from FY 92 to FY 98 include:

	FY 92	FY 98	Change	
Net Sales	1,653,678	1,970,516	316,838	19.23% increase
Cost of Goods Sold	1,073,596	1,325,691	252,095	
Operations Gross Profit	580,082	644,824	64,742	
Deduct: Operating Expenses	365,797	460,612	94,815	
Depreciation	11,682	7,411	(4,271)	
Net Operating Income	202,603	176,801	(25,802)	
Add/Deduct: Other	1,855	218	(1,637)	
Net Income	\$ 204,458	\$ 177,019	\$(27,439)	13.4% decrease

(The FY 92 column shows averages for 17 DLC-operated stores. Five stores are excluded as follows: the Burtonsville store, which experienced a loss in FY 92 and was subsequently closed; and the Flower, Kensington, Pike, and Muddy Branch stores, which were later contracted. The FY 98 column shows averages for 17 DLC-operated stores, and excludes activity for the new Milestone store which was operated for only part of FY 98.)

If you have any questions about this memorandum report or would like to receive a full copy of one of the previous reports, please call me at extension 7-7995.

Attachments

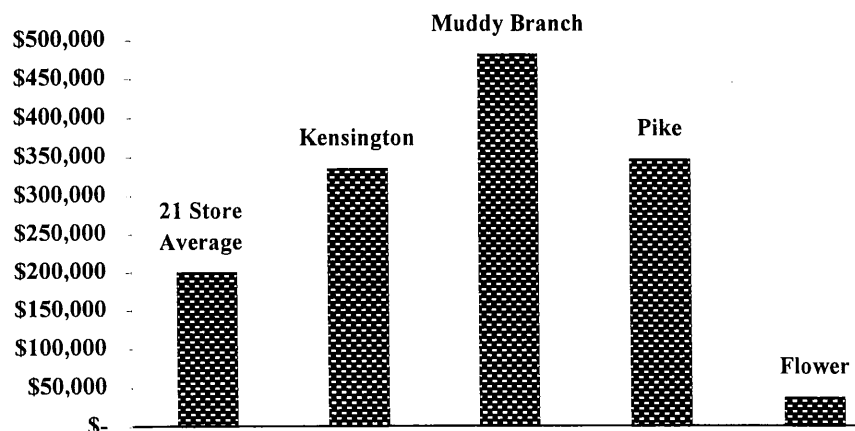
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c: Bruce Romer, County Administrative Officer
Deborah Snead, Assistant Chief Administrative Officer
Steve Farber, Council Staff Director
Justina Ferber, Legislative Analyst
Howard Cook, Director of DLC
Liquor Policy Committee

**Comparison of Pilot Store Financial Performance Against Average Activity for 22 Retail Stores
For the 12-Month Period of July 1, 1997 Through June 30, 1998**

	AVG - 21 STORES		KENSINGTON		MUDDY BRANCH		PIKE		FLOWER	
Gross Sales	2,053,047	101.70%	2,295,555	101.07%	2,707,559	101.73%	2,931,785	101.58%	1,085,123	100.72%
Add Container Tax	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Minus Discounts	(34,226)	-1.70%	(24,249)	-1.07%	(46,000)	-1.73%	(45,574)	-1.58%	(7,743)	-0.72%
Net Sales	2,018,820	100.00%	2,271,306	100.00%	2,661,559	100.00%	2,886,211	100.00%	1,077,380	100.00%
Cost of Goods Sold:										
Beginning Inventory	246,269	12.20%	225,542	9.93%	291,821	10.96%	405,278	14.04%	241,801	22.44%
Purchases	1,100	0.05%	1,889	0.08%	2,018	0.08%	1,473	0.05%	792	0.07%
Transfers from Whse	1,368,540	67.79%	1,574,593	69.33%	1,717,038	64.51%	1,920,856	66.55%	737,303	68.43%
Goods Available for Sale	1,615,908	80.04%	1,802,024	79.34%	2,010,877	75.55%	2,327,607	80.65%	979,896	90.95%
Minus Ending Inventory	(258,066)	-12.78%	(278,248)	-12.25%	(228,153)	-8.57%	(379,547)	-13.15%	(256,527)	-23.81%
Cost of Goods Sold	1,357,842	67.26%	1,523,776	67.09%	1,782,724	66.98%	1,948,060	67.50%	723,369	67.14%
Operations Gross Profit	660,978	32.74%	747,530	32.91%	878,835	33.02%	938,151	32.50%	354,011	32.86%
Operating Expenses:										
Personnel/Commissions	237,973	11.79%	174,357	7.68%	179,208	6.73%	209,457	7.26%	143,273	13.30%
Professional Services	1,375	0.07%	1,375	0.06%	1,375	0.05%	1,375	0.05%	1,375	0.13%
Communications	2,993	0.15%	2,886	0.13%	3,372	0.13%	2,886	0.10%	2,886	0.27%
Motor Pool Charges	518	0.21%	487	0.02%	487	0.02%	487	0.02%	487	0.05%
Repairs/Maintenance	4,150	5.49%	12,181	0.54%	2,488	0.09%	4,249	0.15%	2,530	0.23%
Rental Expenses	110,788	0.45%	110,685	4.87%	81,928	3.08%	224,191	7.77%	105,554	9.80%
Utilities	9,169	0.14%	10,445	0.46%	7,664	0.29%	16,716	0.58%	11,952	1.11%
Risk Management Charges	2,864	0.09%	0	0.00%	370	0.01%	88	0.00%	0	0.00%
Office Supplies	1,798	0.69%	1,975	0.09%	2,341	0.09%	2,400	0.08%	942	0.09%
Credit Card Service Charges	13,842	0.73%	14,432	0.64%	17,808	0.67%	21,973	0.76%	6,135	0.57%
Miscellaneous	14,748	0.00%	15,324	0.67%	20,286	0.76%	19,430	0.67%	7,219	0.67%
Admin Expenses Allocated	0	n/a	n/a	n/a	n/a	n/a	n/a	0.00%	n/a	n/a
Whse Expenses Allocated	52,596	2.61%	59,024	2.60%	69,054	2.59%	75,458	2.61%	28,020	2.60%
Total Operating Expenses	452,812	22.43%	403,171	17.75%	386,381	14.52%	578,710	20.05%	310,373	28.81%
Income From Operations Before Depreciation	208,166	10.31%	344,359	15.16%	492,454	18.50%	359,441	12.45%	43,638	4.05%
Depreciation	5,560	0.28%	6,497	0.29%	7,351	0.28%	9,068	0.31%	4,982	0.46%
Whse Depr Allocated	2,229	0.11%	2,565	0.11%	2,797	0.11%	3,129	0.11%	1,201	0.11%
Total Depreciation	7,789	0.39%	9,062	0.40%	10,148	0.38%	12,197	0.42%	6,183	0.57%
Net Operating Income	200,377	9.93%	335,297	14.76%	482,306	18.12%	347,244	12.03%	37,455	3.48%
Other Income (Expenses):										
Investment Income	0	0.01%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Miscellaneous Income	227	0.00%	256	0.01%	299	0.01%	325	0.01%	121	0.01%
Bond Interest Expense	(4)	0.01%	(4)	0.00%	(5)	0.00%	(6)	0.00%	(2)	0.00%
Total Other Income (Expense)	223	0.01%	252	0.01%	294	0.01%	319	0.01%	119	0.01%
Net Income	200,600	9.94%	335,549	14.77%	482,600	18.13%	347,563	12.04%	37,574	3.49%

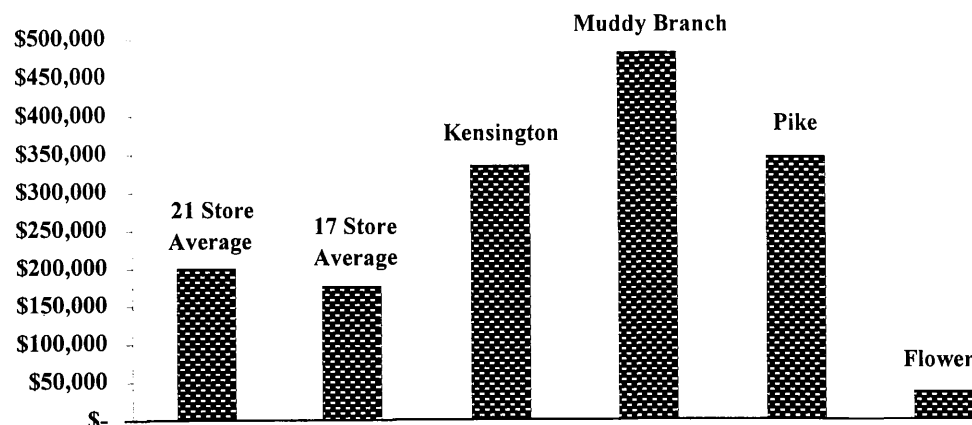
FY 97 Net Operating Income



Comparison of Pilot Store Financial Performance Against Average Activity for 17 Retail Stores
For the 12-Month Period of July 1, 1997 Through June 30, 1998

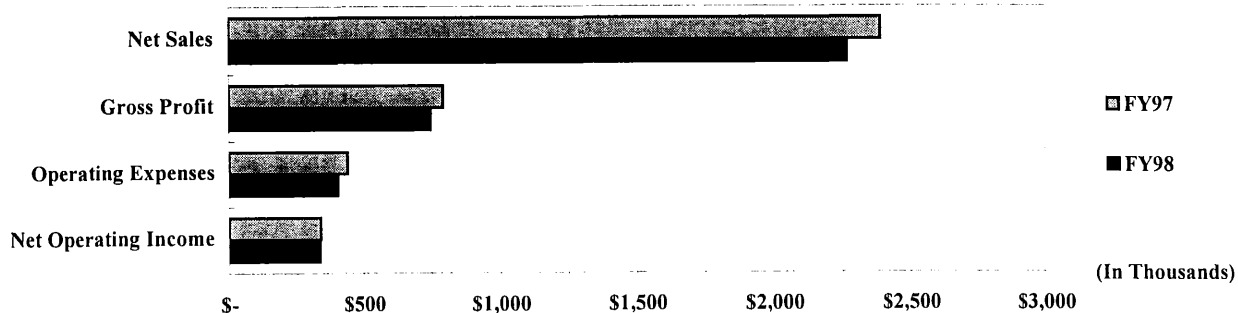
	AVG - 17 STORES			KENSINGTON			MUDDY BRANCH			PIKE			FLOWER		
Gross Sales	2,005,527	101.78%		2,295,555	101.07%		2,707,559	101.73%		2,931,785	101.58%		1,085,123	100.72%	
Add Container Tax	n/a	n/a	P	n/a	n/a	P	n/a	n/a	P	n/a	n/a	P	n/a	n/a	P
Minus Discounts	(35,011)	-1.78%	e	(24,249)	-1.07%	e	(46,000)	-1.73%	e	(45,574)	-1.58%	e	(7,743)	-0.72%	e
Net Sales	1,970,516	100.00%	r	2,271,306	100.00%	r	2,661,559	100.00%	r	2,886,211	100.00%	r	1,077,380	100.00%	r
Cost of Goods Sold:			c			c			c			c			c
Beginning Inventory	235,718	11.96%	e	225,542	9.93%	e	291,821	10.96%	e	405,278	14.04%	e	241,801	22.44%	e
Purchases	996	0.05%	n	1,889	0.08%	n	2,018	0.08%	n	1,473	0.05%	n	792	0.07%	n
Transfers from Whse	1,340,561	68.03%	t	1,574,593	69.33%	t	1,717,038	64.51%	t	1,920,856	66.55%	t	737,303	68.43%	t
Goods Available for Sale	1,577,275	80.04%		1,802,024	79.34%		2,010,877	75.55%		2,327,607	80.65%		979,896	90.95%	
Minus Ending Inventory	(251,584)	-12.77%	o	(278,248)	-12.25%	o	(228,153)	-8.57%	o	(379,547)	-13.15%	o	(256,527)	-23.81%	o
Cost of Goods Sold	1,325,691	67.28%	f	1,523,776	67.09%	f	1,782,724	66.98%	f	1,948,060	67.50%	f	723,369	67.14%	f
Operations Gross Profit	644,824	32.72%		747,530	32.91%		878,835	33.02%		938,151	32.50%		354,011	32.86%	
Operating Expenses:			N			N			N			N			N
Personnel/Commissions	252,420	12.81%	e	174,357	7.68%	e	179,208	6.73%	e	209,457	7.26%	e	143,273	13.30%	e
Professional Services	1,374	0.07%	t	1,375	0.06%	t	1,375	0.05%	t	1,375	0.05%	t	1,375	0.13%	t
Communications	2,989	0.15%		2,886	0.13%		3,372	0.13%		2,886	0.10%		2,886	0.27%	
Motor Pool Charges	525	0.20%	S	487	0.02%	S	487	0.02%	S	487	0.02%	S	487	0.05%	S
Repairs/Maintenance	3,865	5.39%	a	12,181	0.54%	a	2,488	0.09%	a	4,249	0.15%	a	2,530	0.23%	a
Rental Expenses	106,129	0.44%	l	110,685	4.87%	l	81,928	3.08%	l	224,191	7.77%	l	105,554	9.80%	l
Utilities	8,575	0.18%	e	10,445	0.46%	e	7,664	0.29%	e	16,716	0.58%	e	11,952	1.11%	e
Risk Management Charges	3,510	0.09%	s	0	0.00%	s	370	0.01%	s	88	0.00%	s	0	0.00%	s
Office Supplies	1,770	0.69%		1,975	0.09%		2,341	0.09%		2,400	0.08%		942	0.09%	
Credit Card Service Charges	13,549	0.74%		14,432	0.64%		17,808	0.67%		21,973	0.76%		6,135	0.57%	
Miscellaneous	14,555	0.00%		15,324	0.67%		20,286	0.76%		19,430	0.67%		7,219	0.67%	
Admin Expenses Allocated	0	n/a		n/a	n/a		n/a	n/a		n/a	0.00%		n/a	n/a	
Whse Expenses Allocated	51,351	2.61%		59,024	2.60%		69,054	2.59%		75,458	2.61%		28,020	2.60%	
Total Operating Expenses	460,612	23.38%		403,171	17.75%		386,381	14.52%		578,710	20.05%		310,373	28.81%	
Income From Operations Before Depreciation	184,212	9.35%		344,359	15.16%		492,454	18.50%		359,441	12.45%		43,638	4.05%	
Depreciation	5,227	0.27%		6,497	0.29%		7,351	0.28%		9,068	0.31%		4,982	0.46%	
Whse Depr Allocated	2,183	0.11%		2,565	0.11%		2,797	0.11%		3,129	0.11%		1,201	0.11%	
Total Depreciation	7,411	0.38%		9,062	0.40%		10,148	0.38%		12,197	0.42%		6,183	0.57%	
Net Operating Income	176,801	8.97%		335,297	14.76%		482,306	18.12%		347,244	12.03%		37,455	3.48%	
Other Income (Expenses):															
Investment Income	0	0.01%		0	0.00%		0	0.00%		0	0.00%		0	0.00%	
Miscellaneous Income	222	0.00%		256	0.01%		299	0.01%		325	0.01%		121	0.01%	
Bond Interest Expense	(4)	0.01%		(4)	0.00%		(5)	0.00%		(6)	0.00%		(2)	0.00%	
Total Other Income (Expense)	218	0.01%		252	0.01%		294	0.01%		319	0.01%		119	0.01%	
Net Income	177,019	8.98%		335,549	14.77%		482,600	18.13%		347,563	12.04%		37,574	3.49%	

FY 97 Net Operating Income



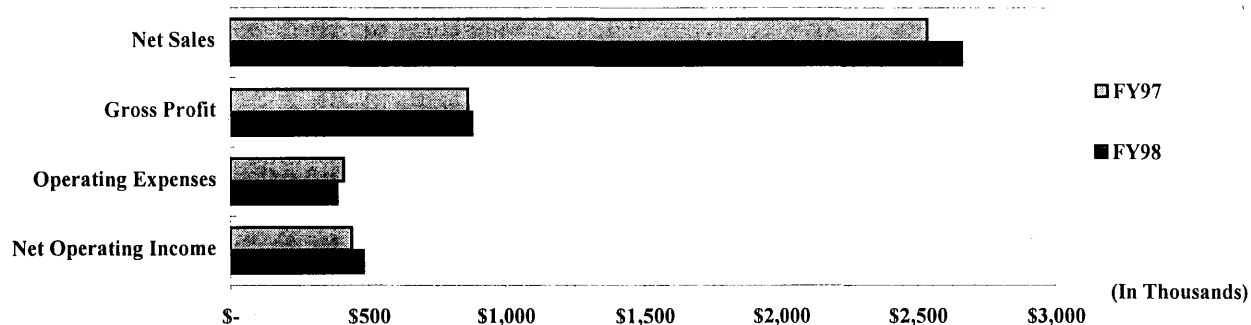
Comparison of Kensington Retail Store Financial Activity FY 97 to FY 98

	7/01/96-6/30/97			7/01/97-6/30/98			Changes from FY97		
Gross Sales	2,422,952	101.30%		2,295,555	101.07%		(127,397)	-5.26%	
Add Container Tax	n/a	n/a	P	n/a	n/a	P	n/a	n/a	P
Minus Discounts	(30,994)	-1.30%	e	(24,249)	-1.07%	e	6,745	-21.76%	e
Net Sales	2,391,958	100.00%	r	2,271,306	100.00%	r	(120,652)	-5.04%	r
Cost of Goods Sold:			c			c			c
Beginning Inventory	238,672	9.98%	e	225,542	9.93%	e	(13,130)	-5.50%	e
Purchases	15,554	0.65%	n	1,889	0.08%	n	(13,665)	-87.86%	n
Transfers from Whse	1,571,395	65.69%	t	1,574,593	69.33%	t	3,198	0.20%	t
Goods Available for Sale	1,825,621	76.32%		1,802,024	79.34%		(23,597)	-1.29%	o
Minus Ending Inventory	(225,542)	-9.43%	o	(278,248)	-12.25%	o	(52,706)	23.37%	f
Cost of Goods Sold	1,600,079	66.89%	f	1,523,776	67.09%	f	(76,303)	-4.77%	
Operations Gross Profit	791,879	33.11%		747,530	32.91%		(44,349)	-5.60%	C
Operating Expenses:			N			N			h
Personnel Services/Commissions	214,660	8.97%	e	174,357	7.68%	e	(40,303)	-18.78%	a
Professional Services	2,098	0.09%	t	1,375	0.06%	t	(723)	-34.46%	n
Communications	3,265	0.14%		2,886	0.13%		(379)	-11.61%	g
Motor Pool Charges	777	0.03%	S	487	0.02%	S	(290)	-37.32%	
Repairs/Maintenance	4,488	0.19%	a	12,181	0.54%	a	7,693	171.41%	F
Rental Expenses	108,894	4.55%	l	110,685	4.87%	l	1,791	1.64%	r
Utilities	11,044	0.46%	e	10,445	0.46%	e	(599)	-5.42%	o
Risk Management Charges	0	0.00%	s	0	0.00%	s	0	0.00%	m
Office Supplies	1,501	0.06%		1,975	0.09%		474	31.58%	
Credit Card Service Charges	12,338	0.52%		14,432	0.64%		2,094	16.97%	
Miscellaneous	16,500	0.69%		15,324	0.67%		(1,176)	-7.13%	F
Admin Expenses Allocated	n/a	n/a		n/a	n/a		n/a	n/a	Y
Whse Expenses Allocated	64,975	2.72%		59,024	2.60%		(5,951)	-9.16%	9
Total Operating Expenses	440,540	18.42%		403,171	17.75%		(37,369)	-8.48%	6
Income From Operations Before Depreciation	351,339	14.69%		344,359	15.16%		(6,980)	-1.99%	
Depreciation	10,284	0.43%		6,497	0.29%		(3,787)	-36.82%	
Whse Depr Allocated	2,657	0.11%		2,565	0.11%		(92)	-3.46%	
Total Depreciation	12,941	0.54%		9,062	0.40%		(3,879)	-29.97%	
Net Operating Income	338,398	14.15%		335,297	14.76%		(3,101)	-0.92%	
Other Income (Expenses):									
Investment Income	0	0.00%		0	0.00%		0	0.00%	
Miscellaneous Income	1,061	0.04%		256	0.01%		(805)	100.00%	
Bond Interest Expense	(72)	0.00%		(4)	0.00%		68	-94.44%	
Total Other Income (Expense)	989	0.04%		252	0.01%		(737)	74.52%	
Net Income	339,387	14.19%		335,549	14.77%		(3,838)	-1.13%	



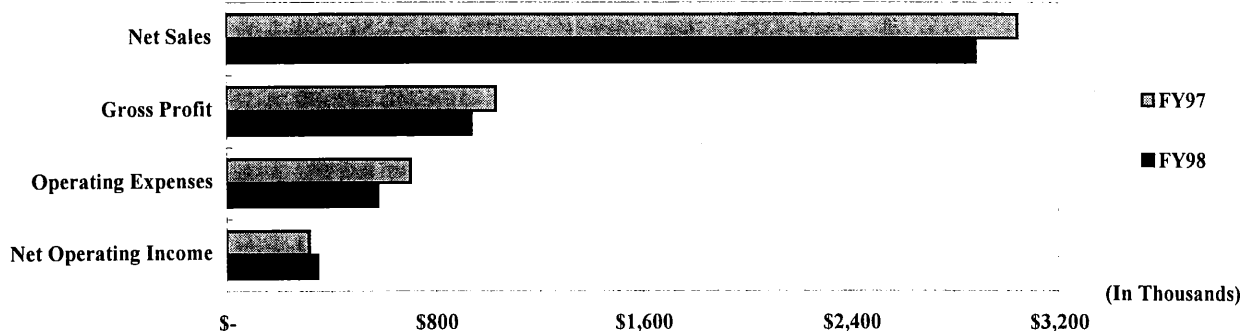
Comparison of Muddy Branch Retail Store Financial Activity FY 96 to FY 97

	7/01/96-6/30/97			7/01/97-6/30/98			Changes from FY97		
Gross Sales	2,582,929	101.79%		2,707,559	101.73%		124,630	4.83%	
Add Container Tax	n/a	n/a	P	n/a	n/a	P	n/a	n/a	P
Minus Discounts	(45,461)	-1.79%	e	(46,000)	-1.73%	e	(539)	1.19%	e
Net Sales	2,537,468	100.00%	r	2,661,559	100.00%	r	124,091	4.89%	r
Cost of Goods Sold:			c			c			c
Beginning Inventory	258,692	10.19%	e	291,821	10.96%	e	33,129	12.81%	e
Purchases	12,526	0.49%	n	2,018	0.08%	n	(10,508)	-83.89%	n
Transfers from Whse	1,694,854	66.79%	t	1,717,038	64.51%	t	22,184	1.31%	t
Goods Available for Sale	1,966,072	77.48%		2,010,877	75.55%		44,805	2.28%	o
Minus Ending Inventory	(291,821)	-11.50%	o	(228,153)	-8.57%	o	63,668	-21.82%	f
Cost of Goods Sold	1,674,251	65.98%	f	1,782,724	66.98%	f	108,473	6.48%	
Operations Gross Profit	863,217	34.02%		878,835	33.02%		15,618	1.81%	C
Operating Expenses:			N			N			h
Personnel Services/Commissions	207,679	8.18%	e	179,208	6.73%	e	(28,471)	-13.71%	a
Professional Services	2,098	0.08%	t	1,375	0.05%	t	(723)	-34.46%	n
Communications	3,317	0.13%		3,372	0.13%		55	1.66%	g
Motor Pool Charges	777	0.03%	S	487	0.02%	S	(290)	-37.32%	
Repairs/Maintenance	4,461	0.18%	a	2,488	0.09%	a	(1,973)	-44.23%	F
Rental Expenses	82,298	3.24%	l	81,928	3.08%	l	(370)	-0.45%	r
Utilities	8,480	0.33%	e	7,664	0.29%	e	(816)	-9.62%	o
Risk Management Charges	821	0.03%	s	370	0.01%	s	(451)	-54.93%	m
Office Supplies	1,532	0.06%		2,341	0.09%		809	52.81%	
Credit Card Service Charges	13,963	0.55%		17,808	0.67%		3,845	27.54%	
Miscellaneous	17,504	0.69%		20,286	0.76%		2,782	15.89%	F
Admin Expenses Allocated	n/a	n/a		n/a	n/a		n/a	n/a	Y
Whse Expenses Allocated	67,987	2.68%		69,054	2.59%		1,067	1.57%	9
Total Operating Expenses	410,917	16.19%		386,381	14.52%		(24,536)	-5.97%	6
Income From Operations									
Before Depreciation	452,300	17.82%		492,454	18.50%		40,154	8.88%	
Depreciation	9,958	0.39%		7,351	0.28%		(2,607)	-26.18%	
Whse Depr Allocated	2,865	0.11%		2,797	0.11%		(68)	-2.37%	
Total Depreciation	12,823	0.51%		10,148	0.38%		(2,675)	-20.86%	
Net Operating Income	439,477	17.32%		482,306	18.12%		42,829	9.75%	
Other Income (Expenses):									
Investment Income	0	0.00%		0	0.00%		0	0.00%	
Miscellaneous Income	1,126	0.04%		299	0.01%		(827)	100.00%	
Bond Interest Expense	(76)	0.00%		(5)	0.00%		71	-93.42%	
Total Other Income (Expense)	1,050	0.04%		294	0.01%		(756)	72.00%	
Net Income	440,527	17.36%		482,600	18.13%		42,073	9.55%	



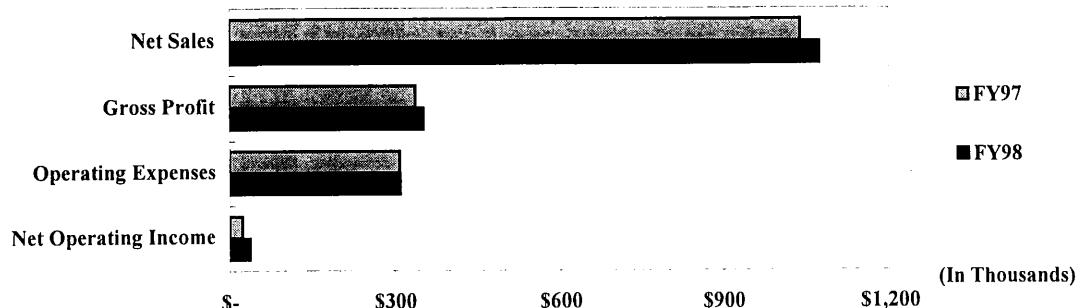
Comparison of Pike Retail Store Financial Activity FY 97 to FY 98

	7/01/96-6/30/97			7/01/97-6/30/98			Changes from FY97		
Gross Sales	3,098,019	101.70%		2,931,785	101.58%		(166,234)	-5.37%	
Add Container Tax	n/a	n/a	P	n/a	n/a	P	n/a	n/a	P
Minus Discounts	(51,681)	-1.70%	e	(45,574)	-1.58%	e	6,107	-11.82%	e
Net Sales	3,046,338	100.00%	r	2,886,211	100.00%	r	(160,127)	-5.26%	r
Cost of Goods Sold:			c			c			c
Beginning Inventory	373,778	12.27%	e	405,278	14.04%	e	31,500	8.43%	e
Purchases	16,968	0.56%	n	1,473	0.05%	n	(15,495)	-91.32%	n
Transfers from Whse	2,028,337	66.58%	t	1,920,856	66.55%	t	(107,481)	-5.30%	t
Goods Available for Sale	2,419,083	79.41%		2,327,607	80.65%		(91,476)	-3.78%	o
Minus Ending Inventory	(405,278)	-13.30%	o	(379,547)	-13.15%	o	25,731	-6.35%	f
Cost of Goods Sold	2,013,805	66.11%	f	1,948,060	67.50%	f	(65,745)	-3.26%	
Operations Gross Profit	1,032,533	33.89%		938,151	32.50%		(94,382)	-9.14%	C
Operating Expenses:			N			N			h
Personnel Services/Commissions	330,482	10.85%	e	209,457	7.26%	e	(121,025)	-36.62%	a
Professional Services	2,097	0.07%	t	1,375	0.05%	t	(722)	100.00%	n
Communications	3,265	0.11%		2,886	0.10%		(379)	-11.61%	g
Motor Pool Charges	777	0.03%	S	487	0.02%	S	(290)	-37.32%	
Repairs/Maintenance	6,441	0.21%	a	4,249	0.15%	a	(2,192)	-34.03%	F
Rental Expenses	218,107	7.16%	l	224,191	7.77%	l	6,084	2.79%	r
Utilities	18,381	0.60%	e	16,716	0.58%	e	(1,665)	-9.06%	o
Risk Management Charges	813	0.03%	s	88	0.00%	s	(725)	100.00%	m
Office Supplies	1,733	0.06%		2,400	0.08%		667	38.49%	
Credit Card Service Charges	19,720	0.65%		21,973	0.76%		2,253	11.42%	
Miscellaneous	21,015	0.69%		19,430	0.67%		(1,585)	-7.54%	F
Admin Expenses Allocated	n/a	n/a		n/a	n/a		n/a	n/a	Y
Whse Expenses Allocated	81,775	2.68%		75,458	2.61%		(6,317)	-7.72%	9
Total Operating Expenses	704,606	23.13%		578,710	20.05%		(125,896)	-17.87%	6
Income From Operations Before Depreciation	327,927	10.76%		359,441	12.45%		31,514	9.61%	
Depreciation	9,515	0.31%		9,068	0.31%		(447)	-4.70%	
Whse Depr Allocated	3,429	0.11%		3,129	0.11%		(300)	-8.75%	
Total Depreciation	12,944	0.42%		12,197	0.42%		(747)	-5.77%	
Net Operating Income	314,983	10.34%		347,244	12.03%		32,261	10.24%	
Other Income (Expenses):									
Investment Income	0	0.00%		0	0.00%		0	0.00%	
Miscellaneous Income	1,352	0.04%		325	0.01%		(1,027)	100.00%	
Bond Interest Expense	(91)	0.00%		(6)	0.00%		85	-93.41%	
Total Other Income (Expense)	1,261	0.04%		319	0.01%		(942)	74.70%	
Net Income	316,244	10.38%		347,563	12.04%		31,319	9.90%	



Comparison of Flower Avenue Retail Store Financial Activity FY 97 to FY 98

	7/01/96-6/30/97			7/01/97-6/30/98			Changes from FY97		
Gross Sales	1,050,617	100.77%		1,085,123	100.72%		34,506	3.28%	
Add Container Tax	n/a	n/a	P	n/a	n/a	P	n/a	n/a	P
Minus Discounts	(8,029)	-0.77%	e	(7,743)	-0.72%	e	286	-3.56%	e
Net Sales	1,042,588	100.00%	r	1,077,380	100.00%	r	34,792	3.34%	r
Cost of Goods Sold:			c			c			c
Beginning Inventory	213,581	20.49%	e	241,801	22.44%	e	28,220	13.21%	e
Purchases	6,285	0.60%	n	792	0.07%	n	(5,493)	-87.40%	n
Transfers from Whse	724,926	69.53%	t	737,303	68.43%	t	12,377	1.71%	t
Goods Available for Sale	944,792	90.62%		979,896	90.95%		35,104	3.72%	o
Minus Ending Inventory	(241,801)	-23.19%	o	(256,527)	-23.81%	o	(14,726)	6.09%	f
Cost of Goods Sold	702,991	67.43%	f	723,369	67.14%	f	20,378	2.90%	
Operations Gross Profit	339,597	32.57%		354,011	32.86%		14,414	4.24%	C
Operating Expenses:			N			N			h
Personnel Services/Commissions	140,989	13.52%	e	143,273	13.30%	e	2,284	1.62%	a
Professional Services	2,098	0.20%	t	1,375	0.13%	t	(723)	-34.46%	n
Communications	3,265	0.31%		2,886	0.27%		(379)	-11.61%	g
Motor Pool Charges	778	0.07%	S	487	0.05%	S	(291)	-37.40%	
Repairs/Maintenance	5,591	0.54%	a	2,530	0.23%	a	(3,061)	-54.75%	F
Rental Expenses	103,743	9.95%	l	105,554	9.80%	l	1,811	1.75%	r
Utilities	11,420	1.10%	e	11,952	1.11%	e	532	4.66%	o
Risk Management Charges	0	0.00%	s	0	0.00%	s	0	0.00%	m
Office Supplies	593	0.06%		942	0.09%		349	58.85%	
Credit Card Service Charges	5,119	0.49%		6,135	0.57%		1,016	19.85%	
Miscellaneous	7,192	0.69%		7,219	0.67%		27	0.38%	F
Admin Expenses Allocated	n/a	n/a		n/a	n/a		n/a	n/a	Y
Whse Expenses Allocated	28,547	2.74%		28,020	2.60%		(527)	-1.85%	9
Total Operating Expenses	309,335	29.67%		310,373	28.81%		1,038	0.34%	6
Income From Operations Before Depreciation	30,262	2.90%		43,638	4.05%		13,376	44.20%	
Depreciation	5,720	0.55%		4,982	0.46%		(738)	-12.90%	
Whse Depr Allocated	1,226	0.12%		1,201	0.11%		(25)	-2.04%	
Total Depreciation	6,946	0.67%		6,183	0.57%		(763)	-10.98%	
Net Operating Income	23,316	2.24%		37,455	3.48%		14,139	60.64%	
Other Income (Expenses):									
Investment Income	0	0.00%		0	0.00%		0	0.00%	
Miscellaneous Income	463	0.00%		121	0.00%		(342)	100.00%	
Bond Interest Expense	(32)	0.04%		(2)	0.01%		30	-93.75%	
Total Other Income (Expense)	431	0.00%		119	0.00%		(312)	-72.39%	
Net Income	23,747	2.28%		37,574	3.49%		13,827	58.23%	



Kensington Retail Store Financial Activity FYs 1992 Through 1998

	<u>FY 92</u>		<u>FY 93</u>		<u>FY 94</u>		<u>FY 95</u>		<u>FY 96</u>		<u>FY 97</u>		<u>FY 98</u>	
Gross Sales	1,925,633		2,032,429		2,152,869		2,284,278		2,470,406		2,422,952		2,295,555	
Minus Discounts	(21,739)		(29,615)		(39,447)		(39,837)		(35,518)		(30,994)		(24,249)	
Net Sales	<u>1,903,894</u>	100.0%	<u>2,002,814</u>	100.0%	<u>2,113,422</u>	100.0%	<u>2,244,441</u>	100.0%	<u>2,434,888</u>	100.0%	<u>2,391,958</u>	100.0%	<u>2,271,306</u>	100.0%
Cost of Goods Sold:														
Beginning Inventory	143,271		174,572		200,156		175,933		214,109		238,672		225,542	
Purchases	19,844		17,558		16,252		19,530		18,645		15,554		1,889	
Transfers from Whse	<u>1,251,473</u>		<u>1,319,290</u>		<u>1,350,727</u>		<u>1,508,094</u>		<u>1,624,720</u>		<u>1,571,395</u>		<u>1,574,593</u>	
Goods Available for Sale	1,414,588		1,511,420		1,567,135		1,703,557		1,857,474		1,825,621		1,802,024	
Minus Ending Inventory	(174,572)		(200,156)		(175,933)		(214,109)		(238,672)		(225,542)		(278,248)	
Cost of Goods Sold	<u>1,240,016</u>	65.1%	<u>1,311,264</u>	65.5%	<u>1,391,202</u>	65.8%	<u>1,489,448</u>	66.4%	<u>1,618,802</u>	66.5%	<u>1,600,079</u>	66.9%	<u>1,523,776</u>	67.1%
Operations Gross Profit	<u>663,878</u>	34.9%	<u>691,550</u>	34.5%	<u>722,220</u>	34.2%	<u>754,993</u>	33.6%	<u>816,086</u>	33.5%	<u>791,879</u>	33.1%	<u>747,530</u>	32.9%
Operating Expenses:														
Personnel Services/Commissions	243,984		232,189		211,280		208,806		222,983		214,660		174,357	
Rental Expenses	88,343		106,295		103,508		105,049		105,547		108,894		110,685	
Utilities	9,378		9,208		8,639		8,959		9,820		11,044		10,445	
Repairs/Maintenance	8,575		7,980		6,427		5,650		4,781		4,488		12,181	
Risk Management Charges	337		3,622		11,374		2,111		0		0		0	
Other Expenses	15,988		19,498		23,873		23,982		33,211		36,479		36,479	
Whse Expenses Allocated	46,316		51,008		61,222		61,437		66,898		64,975		59,024	
Total Operating Expenses	<u>412,921</u>	21.7%	<u>429,800</u>	21.5%	<u>426,323</u>	20.2%	<u>415,994</u>	18.5%	<u>443,240</u>	18.2%	<u>440,540</u>	18.4%	<u>403,171</u>	17.8%
Income From Operations														
Before Depreciation	<u>250,957</u>	13.2%	<u>261,750</u>	13.1%	<u>295,897</u>	14.0%	<u>338,999</u>	15.1%	<u>372,846</u>	15.3%	<u>351,339</u>	14.7%	<u>344,359</u>	15.2%
Depreciation	<u>17,101</u>		<u>16,244</u>		<u>17,144</u>		<u>14,958</u>		<u>15,336</u>		<u>12,941</u>		<u>9,062</u>	
Net Operating Income	<u>233,856</u>	12.3%	<u>245,506</u>	12.3%	<u>278,753</u>	13.2%	<u>324,041</u>	14.4%	<u>357,510</u>	14.7%	<u>338,398</u>	14.1%	<u>335,297</u>	14.8%
Other Income (Expenses)	<u>2,134</u>		<u>378</u>		<u>1,150</u>		<u>1,451</u>		<u>(75)</u>		<u>989</u>		<u>252</u>	
Net Income	<u>235,990</u>	12.4%	<u>245,884</u>	12.3%	<u>279,903</u>	13.2%	<u>325,492</u>	14.5%	<u>357,435</u>	14.7%	<u>339,387</u>	14.2%	<u>335,549</u>	14.8%

Changes

**\$9,894 @ six
years = \$59,364**

**\$34,019 @ five
years = \$170,095**

**\$45,589 @ four
years = \$182,356**

**\$31,943 @ three
year = \$95,829**

**(\$18,048) @ two
years = (\$36,096)**

**(\$3,838) @ one
year = (\$3,838)**

\$467,710 ADDITIONAL NET INCOME SINCE FY 92

NOTE: This store has been managed by a contractor since October 19, 1992.

Therefore, DLC operated the store during all of FY 92 and for approximately three and one-half months during FY 93.

Muddy Branch Retail Store Financial Activity FYs 1992 Through 1998

	<u>FY 92</u>		<u>FY 93</u>		<u>FY 94</u>		<u>FY 95</u>		<u>FY 96</u>		<u>FY 97</u>		<u>FY 98</u>	
Gross Sales	1,754,599		1,885,990		2,128,801		2,306,039		2,384,605		2,582,929		2,707,559	
Minus Discounts	(25,055)		(29,749)		(41,323)		(52,784)		(47,111)		(45,461)		(46,000)	
Net Sales	<u>1,729,544</u>	100.0%	<u>1,856,241</u>	100.0%	<u>2,087,478</u>	100.0%	<u>2,253,255</u>	100.0%	<u>2,337,494</u>	100.0%	<u>2,537,468</u>	100.0%	<u>2,661,559</u>	100.0%
Cost of Goods Sold:														
Beginning Inventory	149,432		149,083		159,949		178,872		221,067		258,692		291,821	
Purchases	13,475		11,507		11,136		11,106		12,948		12,526		2,018	
Transfers from Whse	<u>1,095,482</u>		<u>1,201,376</u>		<u>1,369,719</u>		<u>1,508,430</u>		<u>1,553,498</u>		<u>1,694,854</u>		<u>1,717,038</u>	
Goods Available for Sale	1,258,389		1,361,966		1,540,804		1,698,408		1,787,513		1,966,072		2,010,877	
Minus Ending Inventory	(149,083)		(159,949)		(178,872)		(221,067)		(258,692)		(291,821)		(228,153)	
Cost of Goods Sold	<u>1,109,306</u>	64.1%	<u>1,202,017</u>	64.8%	<u>1,361,932</u>	65.2%	<u>1,477,341</u>	65.6%	<u>1,528,821</u>	65.4%	<u>1,674,251</u>	66.0%	<u>1,782,724</u>	67.0%
Operations Gross Profit	<u>620,238</u>	35.9%	<u>654,224</u>	35.2%	<u>725,546</u>	34.8%	<u>775,914</u>	34.4%	<u>808,673</u>	34.6%	<u>863,217</u>	34.0%	<u>878,835</u>	33.0%
Operating Expenses:														
Personnel Services/Commissions	192,304		200,363		193,790		193,192		193,206		207,679		179,208	
Rental Expenses	71,030		74,641		77,737		76,763		80,063		82,298		81,928	
Utilities	5,986		7,311		7,198		7,322		9,033		8,480		7,664	
Repairs/Maintenance	8,537		7,989		6,586		5,937		5,070		4,461		2,488	
Risk Management Charges	288		2,921		6,785		916		736		821		370	
Other Expenses	14,672		18,141		23,678		24,084		31,353		39,191		45,669	
Whse Expenses Allocated	41,436		46,773		59,934		60,938		63,179		67,987		69,054	
Total Operating Expenses	<u>334,253</u>	19.3%	<u>358,139</u>	19.3%	<u>375,708</u>	18.0%	<u>369,152</u>	16.4%	<u>382,640</u>	16.4%	<u>410,917</u>	16.2%	<u>386,381</u>	14.5%
Income From Operations														
Before Depreciation	285,985	16.5%	296,085	16.0%	349,838	16.8%	406,762	18.1%	426,033	18.2%	452,300	17.8%	492,454	18.5%
Depreciation	<u>14,760</u>		<u>14,083</u>		<u>15,132</u>		<u>13,394</u>		<u>13,669</u>		<u>12,823</u>		<u>10,148</u>	
Net Operating Income	271,225	15.7%	282,002	15.2%	334,706	16.0%	393,368	17.5%	412,364	17.6%	439,477	17.3%	482,306	18.1%
Other Income (Expenses)	<u>1,948</u>		<u>236</u>		<u>1,136</u>		<u>1,459</u>		<u>(68)</u>		<u>1,050</u>		<u>294</u>	
Net Income	<u>273,173</u>	15.8%	<u>282,238</u>	15.2%	<u>335,842</u>	16.1%	<u>394,827</u>	17.5%	<u>412,296</u>	17.6%	<u>440,527</u>	17.4%	<u>482,600</u>	18.1%

Changes

**\$9,065 @ six
years = \$54,390**

**\$53,604 @ five
years = \$268,020**

**\$58,985 @ four
years = \$235,940**

**\$17,469 @ three
year = \$52,407**

**\$28,231 @ two
years = \$56,462**

**\$42,073 @ one
year = \$42,073**

\$709,292 ADDITIONAL NET INCOME SINCE FY 92

NOTE: This store has been managed by a contractor since December 7, 1992.

Therefore, DLC operated the store during all of FY 92 and for approximately five and one-quarter months during FY 93.

Pike Retail Store Financial Activity FYs 1992 Through 1998

	FY 92		FY 93		FY 94		FY 95		FY 96		FY 97		FY 98
Gross Sales	1,806,039		1,807,019		2,362,785		2,976,963		3,119,290		3,098,019		2,931,785
Minus Discounts	(32,501)		(36,879)		(64,554)		(97,070)		(76,142)		(51,681)		(45,574)
Net Sales	1,773,538	100.0%	1,770,140	100.0%	2,298,231	100.0%	2,879,893	100.0%	3,043,148	100.0%	3,046,338	100.0%	2,886,211
Cost of Goods Sold:													
Beginning Inventory	182,738		223,516		205,181		291,303		293,975		373,778		405,278
Purchases	17,082		13,811		18,104		20,154		17,538		16,968		1,473
Transfers from Whse	1,181,959		1,136,444		1,580,312		1,906,349		2,085,682		2,028,337		1,920,856
Goods Available for Sale	1,381,779		1,373,771		1,803,597		2,217,806		2,397,195		2,419,083		2,327,607
Minus Ending Inventory	(223,516)		(205,181)		(291,303)		(293,975)		(373,778)		(405,278)		(379,547)
Cost of Goods Sold	1,158,263	65.3%	1,168,590	66.0%	1,512,294	65.8%	1,923,831	66.8%	2,023,417	66.5%	2,013,805	66.1%	1,948,060
Operations Gross Profit	615,275	34.7%	601,550	34.0%	785,937	34.2%	956,062	33.2%	1,019,731	33.5%	1,032,533	33.9%	938,151
Operating Expenses:													
Personnel Services/Commissions	242,765		238,797		262,673		289,605		309,790		330,482		209,458
Rental Expenses	184,974		192,012		200,066		205,533		211,732		218,107		224,191
Utilities	11,803		12,779		18,547		15,391		20,045		18,381		16,716
Repairs/Maintenance	8,937		8,939		6,730		5,942		6,009		6,441		4,249
Risk Management Charges	432		3,237		11,495		1,768		0		813		88
Other Expenses	14,928		17,456		25,673		29,689		42,216		48,607		48,550
Whse Expenses Allocated	43,210		45,484		66,551		79,353		83,618		81,775		75,458
Total Operating Expenses	507,049	28.6%	518,704	29.3%	591,735	25.7%	627,281	21.8%	673,410	22.1%	704,606	23.1%	578,710
Income From Operations													
Before Depreciation	108,226	6.1%	82,846	4.7%	194,202	8.5%	328,781	11.4%	346,321	11.4%	327,927	10.8%	359,441
Depreciation	14,832		13,759		16,372		13,650		14,275		12,944		12,197
Net Operating Income	93,394	5.3%	69,087	3.9%	177,830	7.7%	315,131	10.9%	332,046	10.9%	314,983	10.3%	347,244
Other Income (Expenses)	1,989		147		1,250		1,864		(94)		1,261		319
Net Income	95,383	5.4%	69,234	3.9%	179,080	7.8%	316,995	11.0%	331,952	10.9%	316,244	10.4%	347,563

Changes

**(\$26,149) @ six
years = (\$156,894)**

**\$109,846 @ five
years = \$549,320**

**\$137,915 @ four
years = \$551,660**

**\$14,957 @ three
years = \$44,8871**

**(\$15,708) @ two
years = (\$31,416)**

**\$31,319 @ one
year = \$31,319**

\$988,770 ADDITIONAL NET INCOME SINCE FY 92

NOTE: This store has been managed by a contractor since October 26, 1992.

Therefore, DLC operated the store during all of FY 92 and for approximately five and three-quarter months during FY 93.

Flower Avenue Retail Store Financial Activity FYs 1994 Through 1998

	<u>FY 94</u>		<u>FY 95</u>		<u>FY 96</u>		<u>FY 97</u>		<u>FY 98</u>	
Gross Sales	831,576		866,110		997,074		1,050,617		1,085,123	
Minus Discounts	(8,145)		(6,937)		(6,666)		(8,029)		(7,743)	
Net Sales	<u>823,431</u>	100.0%	<u>859,173</u>	100.0%	<u>990,408</u>	100.0%	<u>1,042,588</u>	100.0%	<u>1,077,380</u>	100.0%
Cost of Goods Sold:										
Beginning Inventory	135,999		152,257		193,704		213,581		241,801	
Purchases	5,632		5,855		6,571		6,285		792	
Transfers from Whse	<u>564,228</u>		<u>610,007</u>		<u>667,161</u>		<u>724,926</u>		<u>737,303</u>	
Goods Available for Sale	705,859		768,119		867,436		944,792		979,896	
Minus Ending Inventory	(152,257)		(193,704)		(213,581)		(241,801)		(256,527)	
Cost of Goods Sold	<u>553,602</u>	67.2%	<u>574,415</u>	66.9%	<u>653,855</u>	66.0%	<u>702,991</u>	67.4%	<u>723,369</u>	67.1%
Operations Gross Profit	<u>269,829</u>	32.8%	<u>284,758</u>	33.1%	<u>336,553</u>	34.0%	<u>339,597</u>	32.6%	<u>354,011</u>	32.9%
Operating Expenses:										
Personnel Services/Commissions	181,126		143,282		140,007		140,989		143,273	
Rental Expenses	91,018		95,448		98,853		103,743		35,915	
Utilities	11,452		10,089		12,988		11,420		11,952	
Repairs/Maintenance	6,528		5,886		5,409		5,591		2,530	
Risk Management Charges	3,825		1,342		0		0		0	
Other Expenses	11,072		11,372		15,795		19,045		88,683	
Whse Expenses Allocated	24,362		23,697		27,021		28,547		28,020	
Total Operating Expenses	<u>329,383</u>	40.0%	<u>291,116</u>	33.9%	<u>300,073</u>	30.3%	<u>309,335</u>	29.7%	<u>310,373</u>	28.8%
Income From Operations										
Before Depreciation	(59,554)	-7.2%	(6,358)	-0.7%	36,480	3.7%	30,262	2.9%	43,638	4.1%
Depreciation	<u>5,325</u>		<u>7,290</u>		<u>7,453</u>		<u>6,946</u>		<u>6,183</u>	
Net Operating Income	(64,879)	-7.9%	(13,648)	-1.6%	29,027	2.9%	23,316	2.2%	37,455	3.5%
Other Income (Expenses)	<u>447</u>		<u>555</u>		<u>(30)</u>		<u>431</u>		<u>119</u>	
Net Income	<u>(64,432)</u>	-7.8%	<u>(13,093)</u>	-1.5%	<u>28,997</u>	2.9%	<u>23,747</u>	2.3%	<u>37,574</u>	3.5%

Changes

**\$51,339 @ four
years = \$205,356**

**\$42,090 @ three
years = \$126,270**

**(\$5,250) @ two
years = (\$10,500)**

**\$13,827 @ one
year = \$13,827**

\$334,953 ADDITIONAL NET INCOME SINCE FY 94

NOTE: This store has been managed by a contractor since September 19, 1994.

Therefore, DLC operated the store during all of FY 94 and for approximately two and two-thirds months during FY 95.