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State of New Jersey
DEPARTMENT OF THE TREASURY

**DIVISION OF
TAXATION**

**STATE HOUSE
TRENTON 7**

**A STUDY OF THE IMPACT OF THE
COST OF THE SERVICE AND EXPENSE
IMPOSED IN CONNECTION WITH THE
AFFIXING AND HANDLING OF NEW
JERSEY STATE CIGARETTE TAX STAMPS**

New Jersey State Library

**CIGARETTE TAX BUREAU
September 7, 1956**



State of New Jersey
DEPARTMENT OF THE TREASURY

DIVISION OF
TAXATION

STATE HOUSE
TRENTON 7

September 7, 1956

To:

Hon. Robert B. Meyner,
Governor of the State of New Jersey,
and Members of the Senate and General Assembly,
State of New Jersey.

Pursuant to the directions of Joint Resolution No. 10, approved June 28, 1956, there is submitted herewith a survey by the Cigarette Tax Bureau, Division of Taxation in the Department of the Treasury of "the cost of the service and expense imposed upon cigarette distributors in connection with the affixing and handling of State cigarette tax stamps as the same relates to the tax discount allowed therefor ***."

It appears reasonably clear from this survey that all classifications of licensed cigarette distributors, except those in the two smallest categories, are adequately reimbursed for their costs in affixing New Jersey cigarette tax stamps. As to those licensed distributors purchasing less than \$85,000 worth of cigarette tax stamps annually, there are many who may not be fully compensated. Because of their limited volume of stamping it is most difficult, however, to determine, with reasonable accuracy, the extent of their stamping costs. This is so because of the use of part-time employment, the common practice of owner participation in the manual work of stamp affixing and the extremely difficult task of fairly allocating a part of many general overhead costs to the stamping activity.

No special recommendation is made for a variance in the stamp discount rate in the case of these licensees with limited activities. It would be difficult to do so and in any event these licensees, as a group, handle less than 10% of the total annual volume of cigarettes sold in the State.

Very truly yours,

Aaron K. Neeld, Director
Division of Taxation

AKN:MR

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DEPARTMENT OF TREASURY
DIVISION OF TAXATION
CIGARETTE TAX BUREAU

September 7, 1956

COST SURVEY PURSUANT TO
J.R. No. 10- - 1956

This cost survey is intended to provide the facts necessary to a determination as to whether the current cigarette tax stamp discount allowed licensed cigarette distributors in New Jersey provides adequate compensation to them for the affixing of such stamps to cigarettes before sale in this State.

Under Chapter 65, Laws of 1948, providing for a tax of 3¢ per standard pack of 20 cigarettes, which rate prevailed from July 1, 1948 to April 15, 1956, the licensed distributor was entitled to a discount of 5% on stamp purchases. Each case of cigarettes required stamps of a face value of \$15.00 (500 packs x 3¢ per pack) which the distributor, subject to the 5% discount, could purchase for \$14.25. Accordingly he received 75¢ as his compensation for affixing stamps on each case of cigarettes.

Chapter 10, Laws of 1956, raised the rate of tax from 3¢ to 5¢ per standard pack and reduced the stamp discount rate from 5% to 3%. Notwithstanding the changes the distributor is still compensated at the rate of 75¢ per case of 10,000 cigarettes for affixing stamps, since each case of cigarettes now requires stamps in the face amount of \$25.00, which he may acquire for \$24.25.

The question is whether this current rate of 75¢ per case fairly reimburses the distributor for all of the expenses which he incurs in affixing the stamps.

The aggregate stamp discount allowed distributors for the fiscal year 1955 was \$1,011,305.06; for fiscal 1956, \$1,039,854.19.

In conducting this cost survey the Bureau carefully examined the stamping activities of forty-seven New Jersey licensed resident cigarette distributors, representing approximately forty-five percent of all such licensees. The forty-seven licensed distributors handled 41.6% of all cigarettes sold in the State in fiscal 1956. The survey was conducted on a twelve months basis.

After careful study and in order to comply with the sixty (60) day time limitation contained in Joint Resolution No. 10, it was determined that this survey could best be conducted by first establishing a stamping "norm" for the industry. Salary allowances were based upon a stamping "norm" of 160 cases of cigarettes per day. Over-head items, such as heat, light, rent, insurance, etc., were prorated, based upon the amount of space required to properly function as a stamp affixing agency. The relation of space allowed to the entire floor space available was the percentage of expenses allowed for purposes of the survey. It was determined by actual measurements that one hundred (100) cases of cigarettes stacked six high occupied approximately (40) square feet of floor space. This figure was multiplied by five to make allowance for aisle space, inefficient storing, etc., plus space allocated to the affixing of stamps and the handling of cigarettes.

There are several categories of distributors such as chain food stores, vending machine operators, partnerships, individuals and corporations. Family owned businesses pay much higher salaries to the owners than where managers are employed to operate the businesses. Further, small businesses in many cases, rather than employ extra help for stamping use the services of owners,

managers, salesmen, truck drivers for this purpose. This often results in excessive cost allocations to stamping. It further appeared that wages paid to stampers varied widely by both location and individual distributor. This figure ranged from a low of \$1.00 per hour in some instances to a high in excess of \$2.00.

There follows an explanation of the method used in analyzing the costs of affixing and handling tax stamps by the distributors covered by this survey:

I. Classification of Distributors

Stamp Purchases

- (a) LARGE - over \$300,000. per year.
- (b) MEDIUM - \$200,000. - \$299,999. per year.
- (c) MEDIUM SMALL - \$85,000. - \$199,999. per year.
- (d) SMALL - \$1,000. - \$84,999. per year.
- (e) VENDING - Same as above

Distributors have been classified according to the volume of stamp purchases as indicated above.

2. Methods Used In Establishing Stamping Norm

For The Industry

A survey of three large accounts for the months of March, April and May, 1956 (sixty-five working days) indicates that licensee "A" stamped an average of 218 cases per day; licensee "B" - 192 cases per day; and licensee "C" - 231 cases per day. The average of these three accounts is 214 cases stamped per day. It is assumed that all other distributors could stamp at seventy-five percent of the aforementioned efficiency. Therefore, an average of 214 cases per day X 75% = 160 cases per day as a "norm" for the entire industry.

Distributors A, B, and C, in twenty-two working days during the month of December 1955, stamped an average of - for A - $281\frac{1}{2}$ cases per day; for B - $223\frac{3}{4}$ cases per day; for C - $239\frac{3}{4}$ cases per day. It should be noted here that in establishing the "norm" for the industry medium production months were used rather than those months with exceptionally high volume.

3. Charts and Exhibits Relating To The Stamp Discount
and the Cost of Affixing and Handling Stamps.

Two charts and nine exhibits are attached to this report. Chart No. 1 contains a graph illustrating the cost of affixing and handling tax stamps in relation to the discount of 75¢ allowed per case. Chart No. 2 contains a recapitulation by distributor classification of all figures used in this analysis. Exhibits "A" through "H" contain an analysis of the individual licensee accounts in the various classifications. Exhibit "I" contains the percentage relationship of the group classifications to the total both as to number of distributors and annual purchases. Exhibit "J" contains the percentage relationship of purchases by the categories surveyed as related to total purchases.

Figures for Chart No. 2 and exhibits "A" through "H" are presented in eleven columns, and for clarity a brief explanation of each column follows:

Column No. 1 - Initial Investment:

The cost of equipment, based upon current prices has been allowed on a five year depreciation basis. (Includes - Base, cutter and pusher, table or platform, cancellation stamp, automatic inker and miscellaneous equipment, etc.)

Column No. 2 - Maintenance:

One hundred percent of all maintenance costs has been allowed, except where adjustment for foreign state stamping was necessary; i.e., if seventy-five cases per day are stamped for New Jersey use and twenty-five cases

for New York use, seventy-five percent of such costs has been allowed where applicable such as glue, etc. (Includes - Meter rental, service contract, repairs, repairs other than Pitney-Bowes, ink, rollers, alcohol, glue, pads, ink, thinner, etc.)

Column No. 3 - Salaries and Wages:

All wages related to the stamping and the moving of cigarettes for stamping purposes were raised to one hundred percent before applying the "average" stamping ratio. Thus, if three employees making a total of \$9,000.00 per year stamp an average of eighty cases of cigarettes per day, which is fifty percent of the "norm", fifty percent of \$9,000.00 or \$4,500.00 was allowed for wages. Clerical and accounting salaries were based on observation, consultation and estimation of actual time involved, and they have been allowed at one hundred percent of computed time. Where the average daily stamping exceeded fifty percent of the "norm" then fifteen percent of the manager's or owner's salary (owner's salary not to exceed \$10,000.00) was allowed. Where there was a manager and an owner then five percent of the owner's salary and fifteen percent of the manager's salary was allowed. Where the daily average stamping was less than fifty percent of the "norm" the above allowances were reduced from fifteen percent to seven and one-half percent and from five percent to two and one-half percent. If the owner or manager engaged in the actual stamping of cigarettes, then there was an additional salary allowance for this purpose based upon the average salary of all employees engaged in stamping.

Column No. 4 - Miscellaneous:

Costs such as heat, light, power, rent, taxes, etc. were allowed based upon the floor space ratio as previously determined. Credit and performance bonds, bad debts, license fees, excess inventory costs, etc. were allowed at one hundred percent of actual costs.

Column No. 5 - Total Costs:

This figure was obtained by adding together the net figures of

columns 1 through 4.

Column No. 6 - Number of Cases of Cigarettes Stamped:

This figure is obtained from the Bureau's sale record and is for the annual period covered by the survey.

Column No. 7 - Cost of Stamping Per Case:

This figure is obtained by dividing the number of cases stamped (Column No. 6) into the cost of stamping (Column No. 5).

Column No. 8 - Discount Allowed Per Case:

The discount allowed per case of 10,000 cigarettes is 75¢. (s. 401, C. 65 Laws of 1948, as amended, S.2, C. 10, Laws of 1956 - N.J.S.A. 54:40A-11).

Column No. 9 - Total Discount Received:

This figure is obtained from the Bureau's sales record, and is for the annual period covered by the survey.

Column No. 10 - Net Gain or Loss For Year:

The net gain or loss for the year is obtained by subtracting the cost of stamping (Column No. 5) from the total discount allowed (Column No. 9).

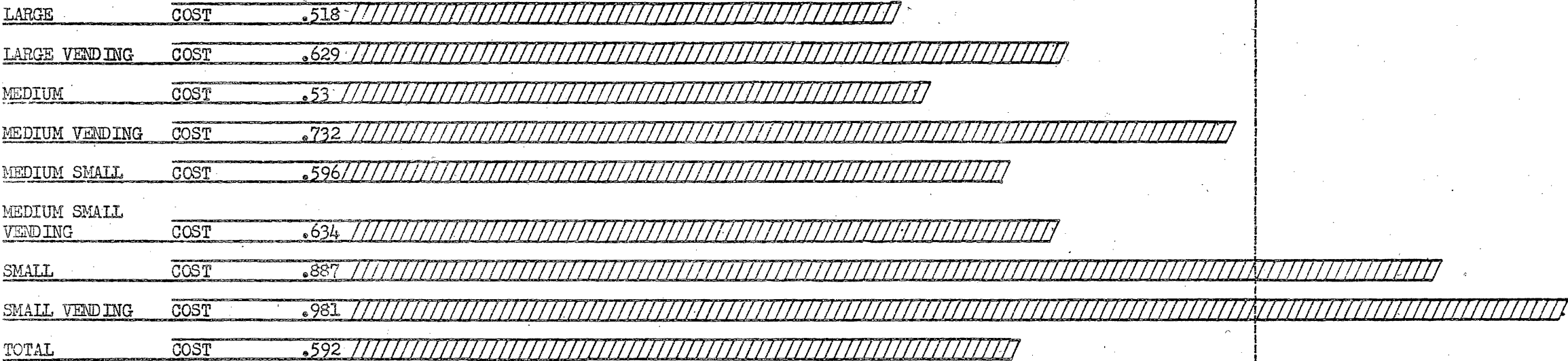
Column No. 11 - Percentage of Gain or Loss Based on Cost:

This figure is obtained by dividing the cost of stamping (Column No. 5) into the net gain or loss for the year (Column No. 10).

Conclusion: Chart No. 1 and Chart No. 2 indicate the cost of affixing and handling tax stamps and the gain or loss resulting from the discount paid for this service. It should be noted here that the survey discloses that all categories of distributors, with the exception of, "small" and "small vending" are fully reimbursed at the present time, for the cost of their services. However, if salary and over-head costs should change, there should be a re-examination of the situation.

RELATIONSHIP OF COST OF STAMPING PER CASE OF CIGARETTES TO DISCOUNT RECEIVED BY THE VARIOUS CATEGORIES OF DISTRIBUTORS

DISTRIBUTOR
CATEGORY



AFFIXING AND HANDLING COST PER CASE

.04 .08 .12 .16 .20 .24 .28 .32 .36 .40 .44 .48 .52 .56 .60 .64 .68 .72 .75 .80 .84 .88 .92 .96 1.00

CHART NO. 1

DISCOUNT SURVEY RECAPITULATION OF COSTS, DISCOUNT RECEIVED AND GAIN OR LOSS RESULTING FROM THE AFFIXATION AND HANDLING OF NEW JERSEY TAX STAMPS

| | | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. |
|--------------------------------|------|-----------------------|------------------|--------------------|--------------------|--------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------|---------------------------|------------------------------|
| | | INITIAL INVESTMENT | MAINTEN- ANCE | SALARY OR WAGES | MISCELL- ANEOUS | TOTAL | NUMBER OF CASES STAMPED | COST OF STAMPING PER CASE | DISCOUNT ALLOWED PER CASE | TOTAL DISCOUNT RECEIVED | NET G OR L FOR YEAR | % G OR L BASED ON COST |
| LARGE | (7) | \$2,591.20 | \$6,128.14 | \$65,238.62 | \$31,144.12 | \$105,102.08 | 203,052 | \$.518 | \$.75 | \$152,289.31 | \$47,187.23 | 44.9 |
| LARGE- (VENDING) | (1) | 382.90 | 617.04 | 5,912.12 | 5,898.29 | 12,810.35 | 20,356 | .629 | .75 | 15,267.00 | 2,456.65 | 19.2 |
| MEDIUM | (5) | 1,793.03 | 2,893.33 | 27,019.08 | 11,410.81 | 43,116.25 | 81,360 | .53 | .75 | 61,020.00 | 17,903.75 | 41.5 |
| MEDIUM- (VENDING) | (1) | 392.70 | 745.94 | 5,589.28 | 3,705.68 | 10,433.60 | 14,255 | .732 | .75 | 10,691.25 | 257.65 | 2.4 |
| MEDIUM- (SMALL) | (16) | 6,132.13 | 7,552.97 | 54,675.28 | 23,902.51 | 92,262.89 | 154,880 | .5957 | .75 | 116,162.10 | 23,899.21 | 25.9 |
| MEDIUM- (SMALL- VENDING) | (5) | 1,901.30 | 2,600.76 | 16,125.69 | 8,674.33 | 29,302.08 | 46,208 | .634 | .75 | 34,656.11 | 5,354.03 | 18.3 |
| SMALL | (9) | 2,146.75 | 2,663.98 | 17,639.38 | 8,684.33 | 31,134.44 | 35,077 | .887 | .75 | 26,308.06 | - 4,826.38 | - 15.5 |
| SMALL- (VENDING) | (3) | 979.25 | 1,154.21 | 5,289.06 | 3,442.24 | 10,864.76 | 11,077 | .981 | .75 | 8,308.51 | - 2,556.25 | - 23.5 |
| TOTAL ACCTS SURVEYED | (47) | \$16,319.26 | \$24,356.37 | \$197,488.51 | \$96,862.31 | \$335,026.45 | 566,265 | \$.592 | \$.75 | \$424,702.34 | \$89,675.89 | 26.8 |

AJK:ek

CHART NO. 2

CLASSIFICATION - LARGE

| NUMBER IN CLASSIFICATION | 1. INITIAL INVESTMENT | 2. MAINTEN- ANCE | 3. SALARY OR WAGES | 4. MISCELL- ANEOUS | 5. TOTAL | 6. NUMBER OF CASES STAMPED | 7. COST OF STAMPING PER CASE | 8. DISCOUNT ALLOWED PER CASE | 9. TOTAL DISCOUNT RECEIVED | 10. NET G OR L FOR YEAR | 11. % G OR L BASED ON COST |
|-----------------------------|-----------------------------|------------------------|--------------------------|--------------------------|--------------|-------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| 1- | \$ 372.70 | \$ 780.00 | \$5,892.03 | \$4,195.00 | \$11,239.73 | 23,884 | \$.471 | \$.75 | \$17,913.00 | \$6,673.27 | 59.4 |
| 2- | 384.42 | 674.20 | 7,667.90 | 3,330.43 | 12,056.95 | 25,320 | .476 | .75 | 18,990.00 | 6,933.05 | 57.5 |
| 3- | 403.71 | 573.08 | 10,472.67 | 3,432.93 | 14,882.39 | 36,620 | .406 | .75 | 27,465.08 | 12,582.69 | 84.5 |
| 4- | 240.97 | 1,596.09 | 18,812.85 | 9,162.19 | 29,812.10 | 50,340 | .592 | .75 | 37,755.23 | 7,943.13 | 26.6 |
| 5- | 385.30 | 904.90 | 10,618.09 | 6,880.24 | 18,788.53 | 26,062 | .721 | .75 | 19,546.50 | 757.97 | 4.0 |
| 6- | 388.30 | 904.62 | 5,491.34 | 2,354.69 | 9,138.95 | 20,472 | .446 | .75 | 15,354.00 | 6,215.05 | 68.0 |
| 7- | 415.80 | 695.25 | 6,283.74 | 1,788.64 | 9,183.43 | 20,354 | .451 | .75 | 15,265.50 | 6,082.07 | 67.2 |
| TOTALS- | \$2,591.20 | \$6,128.14 | \$65,238.62 | \$31,144.12 | \$105,102.08 | 203,052 | \$.518 | .75 | \$152,289.31 | \$47,187.23 | 44.9 |

CLASSIFICATION - LARGE - (VENDING)

| | | | | | | | | | | | |
|---------|-----------|-----------|-------------|-------------|--------------|--------|---------|--------|--------------|-------------|------|
| 1- | \$ 382.90 | \$ 617.04 | \$ 5,912.12 | \$ 5,898.29 | \$ 12,810.35 | 20,356 | \$.629 | \$.75 | \$ 15,267.00 | \$ 2,456.65 | 19.2 |
| TOTALS- | \$ 382.90 | \$ 617.04 | \$ 5,912.12 | \$ 5,898.29 | \$ 12,810.35 | 20,356 | \$.629 | \$.75 | \$ 15,267.00 | \$ 2,456.65 | 19.2 |

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EXHIBITS "A" AND "B"

| <u>CLASSIFICATION - MEDIUM</u> | | | | | | | | | | | |
|--------------------------------|-----------------------------|------------------------|--------------------------|--------------------------|-------------|-------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| NUMBER IN CLASSIFICATION | 1. INITIAL INVESTMENT | 2. MAINTEN- ANCE | 3. SALARY OR WAGES | 4. MISCELL- ANEOUS | 5. TOTAL | 6. NUMBER OF CASES STAMPED | 7. COST OF STAMPING PER CASE | 8. DISCOUNT ALLOWED PER CASE | 9. TOTAL DISCOUNT RECEIVED | 10. NET G OR L FOR YEAR | 11. % G or L BASED ON COST |
| 1 | \$ 373.60 | \$ 640.00 | \$5,326.90 | \$3,170.28 | \$9,510.78 | 13,868 | \$.686 | \$.75 | \$10,401.00 | \$ 890.22 | 9.4 |
| 2 | 274.13 | 604.78 | 4,598.20 | 2,356.40 | 7,833.51 | 16,782 | .467 | .75 | 12,586.50 | 4,752.99 | 60.6 |
| 3 | 372.70 | 620.30 | 6,820.12 | 1,733.76 | 9,546.88 | 19,000 | .502 | .75 | 14,250.00 | 4,703.12 | 49.3 |
| 4 | 403.80 | 549.17 | 5,186.70 | 2,120.44 | 8,260.11 | 18,120 | .456 | .75 | 13,590.00 | 5,329.89 | 64.5 |
| 5 | 368.80 | 479.08 | 5,087.16 | 2,029.93 | 7,964.97 | 13,590 | .586 | .75 | 10,192.50 | 2,227.53 | 27.9 |
| TOTALS | \$1,793.03 | \$2,893.33 | \$27,019.08 | \$11,410.81 | \$43,116.25 | 81,360 | \$.53 | \$.75 | \$61,020.00 | \$17,903.75 | 41.5 |

| <u>CLASSIFICATION - MEDIUM - (VENDING)</u> | | | | | | | | | | | |
|--|-----------|-----------|-------------|-------------|-------------|--------|---------|--------|-------------|-----------|-----|
| 1 | \$ 392.70 | \$ 745.94 | \$ 5,589.28 | \$ 3,705.68 | \$10,433.60 | 14,255 | \$.732 | \$.75 | \$10,691.25 | \$ 257.65 | 2.4 |
| TOTALS | \$ 392.70 | \$ 745.94 | \$ 5,589.28 | \$ 3,705.68 | \$10,433.60 | 14,255 | \$.732 | \$.75 | \$10,691.25 | \$ 257.65 | 2.4 |

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EXHIBITS "C" AND "D"

CLASSIFICATION-- MEDIUM SMALL (VENDING)

| NUMBER IN CLASSIFICATION | 1. INITIAL INVESTMENT | 2. MAINTEN- ANCE | 3. SALARY OR WAGES | 4. MISCELL- ANEOUS | 5. TOTAL | 6. NUMBER OF CASES STAMPED | 7. COST OF STAMPING PER CASE | 8. DISCOUNT ALLOWED PER CASE | 9. TOTAL DISCOUNT RECEIVED | 10. NET G OR L FOR YEAR | 11. % G OR L BASED ON COST |
|-----------------------------|-----------------------------|------------------------|--------------------------|--------------------------|-------------|-------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| 1. | \$ 363.30 | \$465.45 | \$3,779.68 | \$2,101.97 | \$6,710.40 | 8,960 | \$.749 | \$.75 | \$6,720.00 | \$ 9.60 | .1 |
| 2. | 372.70 | 428.72 | 2,438.91 | 1,586.16 | 4,826.49 | 9,456 | .510 | .75 | 7,091.81 | 2,265.32 | 46.9 |
| 3. | 392.70 | 704.39 | 3,830.49 | 2,370.13 | 7,297.71 | 8,296 | .879 | .75 | 6,222.00 | -1,075.71 | - 14.7 |
| 4. | 383.30 | 546.16 | 3,081.34 | 1,537.35 | 5,548.15 | 10,246 | .541 | .75 | 7,684.80 | 2,136.65 | 38.5 |
| 5. | 389.30 | 456.04 | 2,995.27 | 1,078.72 | 4,919.33 | 9,250 | .532 | .75 | 6,937.50 | 2,018.17 | 41.0 |
| TOTALS. | \$1,901.30 | \$2,600.76 | \$16,125.69 | \$8,674.33 | \$29,302.08 | 46,208 | .634 | .75 | \$34,656.11 | \$5,354.03 | 18.3 |

EXHIBIT "E"

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CLASSIFICATION - MEDIUM SMALL

| NUMBER IN CLASSIFICATION | 1. INITIAL INVESTMENT | 2. MAINTEN- ANCE | 3. SALARY OR WAGES | 4. MISCELL- ANEOUS | 5. TOTAL | 6. NUMBER OF CASES STAMPED | 7. COST OF STAMPING PER CASE | 8. DISCOUNT ALLOWED PER CASE | 9. TOTAL DISCOUNT RECEIVED | 10. NET G OR L FOR YEAR | 11. % G OR L BASED ON COST |
|-----------------------------|-----------------------------|------------------------|--------------------------|--------------------------|-------------|-------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| 1. | \$ 403.30 | \$ 465.00 | \$4,078.93 | \$1,854.49 | \$6,801.72 | 12,712 | \$.535 | \$.75 | \$9,534.00 | \$2,732.28 | 40.2 |
| 2. | 375.00 | 525.00 | 4,035.51 | 1,195.00 | 6,130.51 | 7,386 | .830 | .75 | 5,539.50 | - 591.01 | - 9.6 |
| 3. | 375.30 | 507.56 | 3,015.60 | 1,300.12 | 5,198.58 | 6,830 | .761 | .75 | 5,124.75 | - 73.83 | - 1.4 |
| 4. | 392.70 | 330.50 | 2,914.73 | 897.07 | 4,535.00 | 10,112 | .448 | .75 | 7,584.00 | 3,049.00 | 67.2 |
| 5. | 405.80 | 486.49 | 5,199.07 | 1,612.94 | 7,704.30 | 12,625 | .610 | .75 | 9,468.75 | 1,764.45 | 22.9 |
| 6. | 383.30 | 532.42 | 3,008.41 | 1,813.79 | 5,737.92 | 8,698 | .659 | .75 | 6,523.50 | 785.58 | 13.7 |
| 7. | 395.50 | 614.18 | 3,068.27 | 1,465.82 | 5,543.77 | 10,686 | .519 | .75 | 8,014.35 | 2,470.58 | 44.6 |
| 8. | 388.30 | 459.02 | 2,988.77 | 2,066.80 | 5,902.89 | 11,020 | .536 | .75 | 8,265.00 | 2,362.11 | 40.0 |
| 9. | 372.70 | 416.48 | 2,926.28 | 1,195.58 | 4,911.04 | 10,270 | .478 | .75 | 7,702.50 | 2,791.46 | 56.8 |
| 10. | 378.30 | 518.57 | 3,320.63 | 1,301.38 | 5,518.88 | 9,235 | .598 | .75 | 6,926.25 | 1,407.37 | 25.5 |
| 11. | 371.43 | 352.34 | 4,186.16 | 1,683.19 | 6,593.12 | 8,978 | .734 | .75 | 6,733.50 | 140.38 | 2.1 |
| 12. | 373.30 | 608.20 | 4,216.92 | 1,536.33 | 6,734.75 | 10,192 | .661 | .75 | 7,644.00 | 909.25 | 13.5 |
| 13. | 378.30 | 370.08 | 3,205.32 | 1,735.52 | 5,689.22 | 8,316 | .684 | .75 | 6,237.00 | 547.78 | 9.6 |
| 14. | 375.30 | 489.78 | 2,782.10 | 1,387.77 | 5,034.95 | 12,140 | .415 | .75 | 9,105.00 | 4,070.05 | 80.8 |
| 15. | 383.30 | 441.45 | 2,637.75 | 1,376.07 | 4,838.57 | 6,360 | .761 | .75 | 4,770.00 | - 68.57 | - 1.4 |
| 16. | 380.30 | 435.90 | 3,090.83 | 1,480.64 | 5,387.67 | 9,320 | .578 | .75 | 6,990.00 | 1,602.33 | 29.7 |
| TOTALS | \$6,132.13 | \$7,552.97 | \$54,675.28 | \$23,902.51 | \$92,262.89 | 154,880 | .5957 | .75 | \$116,162.10 | \$23,899.21 | 25.9 |

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EXHIBIT "F"

CLASSIFICATION - SMALL

| NUMBER IN CLASSIFICATION | 1. INITIAL INVESTMENT | 2. MAINTEN- ANCE | 3. SALARY OR WAGES | 4. MISCELL- ANEOUS | 5 TOTAL | 6. NUMBER OF CASES STAMPED | 7. COST OF STAMPING PER CASE | 8. DISCOUNT ALLOWED PER CASE | 9. TOTAL DISCOUNT RECEIVED | 10. NET G OR L FOR YEAR | 11. % G OR L BASED ON COST |
|-----------------------------|-----------------------------|------------------------|--------------------------|--------------------------|-------------|-------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| 1 | \$ 209.05 | \$ 320.23 | \$1,859.69 | \$ 780.91 | \$3,169.88 | 5,296 | \$.598 | \$.75 | \$3,972.00 | \$802.12 | 25.3 |
| 2 | 378.30 | 496.46 | 2,300.80 | 1,308.72 | 4,484.28 | 5,476 | .819 | .75 | 4,107.00 | - 377.28 | - 8.4 |
| 3 | 218.05 | 390.65 | 2,302.23 | 870.55 | 3,781.48 | 3,022 | 1.25 | .75 | 2,266.80 | -1,514.68 | - 40.1 |
| 4 | 6.00 | 7.00 | 172.85 | 376.95 | 562.80 | 131 | 4.30 | .75 | 98.18 | - 464.62 | - 82.6 |
| 5 | 6.00 | 15.00 | 1,653.38 | 663.39 | 2,337.77 | 1,320 | 1.77 | .75 | 990.00 | -1,347.77 | - 57.7 |
| 6 | 209.05 | 302.80 | 1,529.11 | 904.21 | 2,945.17 | 3,833 | .768 | .75 | 2,874.75 | - 70.42 | - 2.4 |
| 7 | 372.70 | 320.10 | 2,832.02 | 1,381.86 | 4,906.68 | 5,240 | .936 | .75 | 3,930.00 | - 976.68 | - 19.9 |
| 8 | 376.30 | 417.20 | 1,993.73 | 1,237.10 | 4,024.33 | 5,220 | .771 | .75 | 3,915.00 | - 109.33 | - 2.7 |
| 9 | 371.30 | 394.54 | 2,995.57 | 1,160.64 | 4,922.05 | 5,539 | .889 | .75 | 4,154.33 | - 767.72 | - 15.6 |
| TOTALS | \$2,146.75 | \$2,663.98 | \$17,639.38 | \$8,684.33 | \$31,134.44 | 35,077 | .887 | .75 | \$26,308.06 | -\$4,826.38 | - 15.5 |

CLASSIFICATION - SMALL - (VENDING)

| | | | | | | | | | | | |
|--------|-----------|-----------|-------------|------------|-------------|--------|-------|-----|-------------|-------------|--------|
| 1 | \$ 378.30 | \$ 420.00 | \$ 2,278.27 | \$1,370.00 | \$ 4,446.57 | 4,965 | .895 | .75 | \$ 3,723.75 | -\$ 722.82 | - 16.3 |
| 2. | 218.65 | 312.90 | 1,308.57 | 917.75 | 2,757.87 | 1,636 | 1.686 | .75 | 1,227.76 | - 1,530.11 | - 55.5 |
| 3. | 382.30 | 421.31 | 1,702.22 | 1,154.49 | 3,660.32 | 4,476 | .818 | .75 | 3,357.00 | - 303.32 | - 8.3 |
| TOTALS | \$ 979.25 | 1,154.21 | \$ 5,289.06 | \$3,442.24 | \$10,864.76 | 11,077 | .981 | .75 | \$ 8,308.51 | -\$2,556.25 | - 23.5 |

AJK:ek

EXHIBITS "G" AND "H"

PERCENTAGE RELATIONSHIP OF THE GROUP CLASSIFICATIONS TO THE TOTAL BOTH AS TO NUMBER OF DISTRIBUTORS AND ANNUAL PURCHASES

| PURCHASES | NUMBER OF REGULAR ACCOUNTS | % OF TOTAL | NUMBER OF VENDING MACHINE OPRS. | % OF TOTAL | AMOUNT OF PURCHASE REGULAR ACCTS. | % OF TOTAL | AMOUNT OF PURCHASES VENDING MACHINES | % OF TOTAL |
|------------------------|----------------------------------|---------------|---------------------------------------|---------------|---|---------------|--|---------------|
| \$1,000-\$84,999 | 50 | 35.5 | 11 | 7.8 | \$1,489,220.10 | 7.1 | \$ 447,312.90 | 2.2 |
| \$85,000 to \$199,999 | 34 | 24.1 | 11 | 7.8 | 4,879,624.25 | 23.4 | 1,440,164.10 | 6.9 |
| \$200,000 to \$299,999 | 11 | 7.8 | 5 | 3.5 | 2,778,954.40 | 13.3 | 1,196,235.00 | 5.7 |
| \$300,000 - plus | 16 | 11.3 | 3 | 2.1 | 7,642,546.90 | 36.7 | 968,910.00 | 4.6 |
| <hr/> | | | | | | | | |
| | 111 | 78.7 % | 30 | 21.2 % | \$16,790,345.65 | 80.5 % | \$4,052,622.00 | 19.4 % |
| | 30 | 21.2 | | | 4,052,622.00 | 19.4% | | |
| | 141 | 99.9 % | | | \$20,842,967.65 | 99.9 % | | |

EXHIBIT "I"

PERCENTAGE RELATIONSHIP OF PURCHASES BY CATEGORIES SURVEYED AS RELATED TO TOTAL PURCHASES

| | PURCHASES 7/55 - 6/56 | % OF TOTAL STAMP SALES |
|----------------------|--------------------------|------------------------------|
| LARGE | \$ 3,045,786.00 | 14.9 |
| LARGE VENDING | 305,340.00 | 1.5 |
| MEDIUM | 1,220,400.00 | 6.0 |
| MEDIUM VENDING | 213,825.00 | 1.0 |
| MEDIUM SMALL | 2,323,242.00 | 11.4 |
| MEDIUM SMALL VENDING | 693,122.10 | 3.4 |
| SMALL | 526,161.00 | 2.6 |
| SMALL VENDING | 166,155.00 | .8 |
| | <hr/> \$8,494,031.10 | <hr/> 41.6 |

EXHIBIT "J"

