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BLUE CHIP STAMPS **10-K PT 1 & 2**

OTHER CALIFORNIA 1972

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

REC'D - S.E.C.
JUN - 1 1972
(Fee Received)

ANNUAL REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fifty-three weeks
ended March 4, 1972

Commission file number 0-3810

BLUE CHIP STAMPS
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

94-1354687
(I.R.S. Employer Identification No.)

5801 South Eastern Avenue, Los Angeles, California
(Address of principal executive offices)

90040
(Zip Code)

Registrant's telephone number, including area code 213-685-8615

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value $1.00 per share
6½%* Subordinated Debentures due 1978

Indicate by check mark whether the registrant has filed all annual, quarterly and other reports required to be filed with the Commission within the past 90 days and in addition has filed the most recent annual report required to be filed. Yes X . No ___.

*6 3/4% effective May 15, 1972

Item 1. Business.

The Company is engaged primarily in furnishing a trading stamp service to retail merchants and their customers. Approximately 20,000 retailers distribute the Company's stamps in over 22,000 retail outlets in California, Nevada, Oregon and Arizona. The Company maintains 90 redemption stores where stamps may be redeemed for a wide variety of merchandise or for cash. The Company is also engaged in the development of incentive and premium programs and, through a subsidiary acquired in January 1972, manufactures and retails quality candy and confectionary items. Approximately 2,500 persons are employed full-time by the Company and its subsidiary.

During the fiscal year ended February 27, 1971 the Company was faced with increased competition from two sources. First, a number of supermarket operators discontinued or reduced the use of trading stamps in connection with their conversion to so-called discount' merchandising, a rival form of promotion. Second, a major trading stamp company converted its California operations to the Company's low price, non-franchised manner of doing business. As a result, stamp service revenues declined from $125,888,000 for the fiscal year ended February 28, 1970 to $120,015,000 for the fiscal year ended February 27, 1971. This decline occurred in the last half of the year.

Competition from these two sources continued throughout the fiscal year ended March 4, 1972 when stamp service revenues dropped to $102,540,000. Another factor contributing to the latter decline may have been an overall reduction by service station operators in the practice of giving consumers multiple stamps (more than one stamp for each ten cents of sales), a promotion technique which has been widespread the past few years.

Item 2. Summary of Operations.

The following statements of income and of stockholders' equity should be read in conjunction with the Company's consolidated balance sheet and consolidated statements of income, stockholders' equity and changes in financial position and the notes thereto appearing in the attached printed annual report.

STATEMENT OF INCOME

	Fiscal year ended				
	March 2, 1968	March 1, 1969	February 28, 1970	February 27, 1971	March 4, 1972*
	(In thousands except for amounts per share)				
Revenues:					
Stamp service revenues	$91,757	$108,449	$125,888	$120,015	$102,540
Candy sales	-	-	-	-	4,104
Interest and dividends	2,238	2,764	4,708	6,203	6,359
Other	579	938	1,424	1,566	1,099
	94,574	112,151	132,020	127,784	114,102
Costs and expenses:					
Cost of redemptions and sales	83,797	94,703	108,977	104,392	93,791
Selling, general and administrative expenses	6,101	6,761	7,275	8,558	10,917
Interest and discount amortization	-	255	1,063	1,063	1,292
	89,898	101,719	117,315	114,013	106,000
Income before provision for income taxes, securities gains (losses) and extraordinary charges	4,676	10,432	14,705	13,771	8,102
Provision for income taxes	1,343	5,017	6,967	5,032	2,195
Income before securities gains (losses) and extraordinary charges	3,333	5,415	7,738	8,739	5,907
Securities gains (losses), less applicable income taxes	85	229	27	(155)	(1,693)
Income before extraordinary charges	3,418	5,644	7,765	8,584	4,214
Extraordinary charges - settlements of lawsuits and claims, less applicable income taxes	-	(3,651)	(378)	-	-
Net income	$ 3,418	$ 1,993	$ 7,387	$ 8,584	$ 4,214
Per share**:					
Income before securities gains (losses) and extraordinary charges	$1.07	$1.54	$1.53	$1.72	$1.15
Securities gains (losses), less applicable income taxes	.03	.06	.01	(.03)	(.33)
Income before extraordinary charges	1.10	1.60	1.54	1.69	.82
Extraordinary charges, less applicable income taxes	-	(1.03)	(.08)	-	-
Net income	$1.10	$ .57	$1.46	$1.69	$ .82

*During the period January 3, 1972 through March 4, 1972 the Company acquired for cash 93% of the outstanding common stock of See's Candy Shops, Incorporated. The statement of income includes $120,000 or $.02 per share which represents the Company's weighted average equity in the net income of the subsidiary.

**Per share amounts are based upon the weighted average number of shares of common stock outstanding adjusted for a five-for-one stock split in October 1969 and for the dilutive effect of all outstanding stock options. Such dilution is calculated assuming all such options have been exercised and the proceeds used to purchase the Company's stock at the average market price during the year. Shares including dilution were: 3,108,000 in 1968, 3,530,000 in 1969, 5,057,000 in 1970, 5,080,000 in 1971 and 5,116,000 in 1972. No change in per share amounts would result from use of the more restrictive "fully diluted" method.

Item 2. Summary of Operations (Continued)

The decline in net income (total and per share) for the fiscal year ended March 1, 1969 was due primarily to settlements of lawsuits and claims which are reflected above as extraordinary charges. The decline in stamp service revenues for the fiscal year ended February 27, 1971 was caused primarily by increased competition, as explained in Item 1; the increase in net income (total and per share) during this period, despite lower revenues, resulted from increased after-tax yield on the investment portfolio. The decline in revenues and income before securities losses (total and per share) for the fiscal year ended March 4, 1972 was also caused primarily by increased competition, as explained in Item 1; net income (total and per share) declined also a result of the significant excess of securities losses over securities gains during this period.

Revenues, earnings and earnings per share as set forth above are not necessarily indicative of future revenues, earnings and earnings per share. As explained in Item 1, increased competition has resulted in reduced stamp service revenues since the last half of the fiscal year ended February 27, 1971. As long as such intense competition continues, revenues and earnings are expected to suffer. The Company is also of the opinion that revenues and earnings would be adversely affected by further increases in competition or by a reduction in the number of stamps given to consumers by retailers presently offering multiple stamps. The Company believes that a sale of one third of its California trading stamp business (see Item 5(a) and Note 11 to the financial statements in the attached printed annual report), if consummated, would have a materially adverse effect on revenues and earnings, and under existing market conditions might have a materially adverse effect on its ability to continue its trading stamp business.

STATEMENT OF STOCKHOLDERS' EQUITY

	Common stock		Paid-in capital	Retained earnings
	Shares*	Amount		
Balance at March 4, 1967	3,108,000	$ 207,000		$19,435,000
Net income for the fiscal year ended March 2, 1968	-	-		3,418,000
Balance at March 2, 1968	3,108,000	207,000		22,853,000
Sale of restricted stock to employees	137,000	9,000		-
Sale of stock to users	1,626,000	109,000	$2,878,000	-
Net income for the fiscal year ended March 1, 1969	-	-	-	1,993,000
Balance at March 1, 1969	4,871,000	325,000	2,878,000	24,846,000
Exercise of stock options	79,000	79,000	403,000	-
Change in par value	-	4,546,000	(2,878,000)	(1,668,000)
Cash dividends of $.10 per share	-	-	-	(487,000)
Net income for the fiscal year ended February 28, 1970	-	-	-	7,387,000
Balance at February 28, 1970	4,950,000	4,950,000	403,000	30,078,000
Exercise of stock options	77,000	77,000	393,000	-
Purchase of restricted stock from terminated employees	(1,000)	(1,000)	-	-
Cash dividends of $.24 per share	-	-	-	(1,188,000)
Net income for the fiscal year ended February 27, 1971	-	-	-	8,584,000
Balance at February 27, 1971	5,026,000	5,026,000	796,000	37,474,000
Exercise of stock options	13,000	13,000	66,000	-
Cash dividends of $.24 per share	-	-	-	(1,208,000)
Net income	-	-	-	4,214,000
	5,039,000	$5,039,000	$ 862,000	$40,480,000

*Adjusted for 5-for-1 stock split, October 1969.

Item 3. Properties.

The Company's principal offices are located in Los Angeles, where the Company occupies approximately 25,000 square feet of space under a lease running to July 31, 1975. (The Company has an option to extend the lease an additional five years.)

The Company operates merchandise distribution centers at Los Angeles and at Richmond (near San Francisco). The Los Angeles distribution center has a storage capacity of approximately 8,000,000 cubic feet and is leased under an agreement expiring July 31, 1975 (with a five-year renewal option). The Richmond distribution center has a storage capacity of approximately 4,900,000 cubic feet and is owned by the Company in fee.

Redemption stores are normally leased for initial terms of ten years with five-year renewal options.

Candy is manufactured in approximately 220,000 square feet of fully equipped kitchen facilities located in Los Angeles and South San Francisco, which are owned by the companies named in Item 4. Most of the 161 retail candy stores are located in leased space.

Item 4. Parents and Subsidiaries.

The Company has no parents.

The Company, as of May 10, 1972, owns 98.5% of the outstanding common stock of See's Candy Shops, Incorporated, which, in turn, owns 100% of See's Candies, Inc., both California corporations. Financial statements of both companies are included in the Company's consolidated financial statements from date of acquisition.

Item 5. Pending Legal Proceedings.

(a) United States of America v. Blue Chip Stamp Company, Alexander's Markets, Lucky Stores, Inc., Market Basket, Purity Stores, Inc., Ralphs Grocery Company, Safeway Stores, Incorporated, Thriftimart, Inc., Thrifty Drug Stores, Inc., and Von's Grocery Co. (United States District Court, Central District of California, Civil Action No. 63-1552-F).

This action under the Sherman Act was instituted by the United States Department of Justice on December 26, 1963 against the Company's predecessor and a Consent Decree was entered therein on June 5, 1967. Pursuant to said Consent Decree, the Company within 30 months after April 6, 1970 is required to submit to the Court a plan for the sale of one-third of its California trading stamp business located within a contiguous geographical area in Southern California.

(b) The following four actions were brought against the Company in the United States District Court, Northern District of California, by plaintiffs engaged in the issuance of trading stamps and allege violations of the Sherman Act:

(i) EZY Cash Stamp Company, Inc. v. Blue Chip Stamp Company. Civil Action No. 50143 filed October 15, 1968.

(ii) Bel Air Mart, a corporation, dba Bel Air Markets and Mark Five Stamp Company; and George R. Wong, William Wong, Gim Wong, Gene Wong, Paul Wong, Albert Wong, and Allie Fong, a partnership, dba Bel Air Markets v. Lucky Stores, Inc.; Purity Stores, Inc.; Safeway Stores, Inc.; and Thrifty Drug Stores Co., Inc. Civil Action No. 50979 filed April 8, 1969.

(iii) Evergreen Stamp Company, Inc. v. Blue Chip Stamp Company. Civil Action No. 51811 filed July 23, 1969.

(iv) Black and Brown Trading Stamp Corporation v. Blue Chip, Chevron Oil Company, Shell Oil Company, Phillips Petroleum Company, Mohawk, Standard Oil of California, Mobil Oil Corporation, Texaco, Inc., ARCO, Humble Oil and Refining Company, Douglas Oil Co. of California, Gulf Oil Corporation, Union Oil of California, Simas Bros. Service Stations, Von's Grocery Company, Lucy Stores, Inc., Safeway Stores, Inc., Mayfair Markets, Boy's Markets, Better Foods, and Thriftimart, Inc. Civil Action No. 71-1333-OJC filed July 12, 1971.

In the Bel Air Mart action the plaintiffs also allege violations of the Clayton Act, and litigation counsel for the Company are also defending the action on behalf of four stockholders of the Company's predecessor. In the Black and Brown action the plaintiff also makes reference to alleged violations of Section 2(a) of the Robinson-Patman Act and of Sections 17040-17045 of the California Unfair Practices Act. In the first three actions listed above plaintiffs assert injuries in amounts not yet ascertained and seek treble damages plus attorneys' fees and costs. In the Black and Brown action the plaintiff asserts damages in excess of $160,000,000 and seeks treble damages plus attorneys' fees and costs, but the Company has not been served with process.

(c) The following eight actions were brought against the Company, the first two in the United States District Court for the Central District of California and the other six in the United States District Court for the Northern District of California, by plaintiffs engaged in the oil business and allege violations of the Sherman Act, the Clayton Act and the California Unfair Practices Act:

(i) Douglas Oil Company of California v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 69-1532-DWW filed August 5, 1969.

(ii) Time Oil Co., Top Oil Co., and Richmond Sav-Mor Oil Co. v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 1585-DWW filed August 12, 1969

(iii) Sonora Saving Center, Tahoe Saving Center and Coast Oil Company (on its behalf and as assignee for 15 assignors) v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 69-677 filed December 31, 1969.

(iv) Beacon Oil Company v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 70-120 filed January 16, 1970.

(v) Sure-Save Stations, Inc., Freeway Oil Company, J. A. Wickland, Jr., all doing business as King Dollar, and Wickland Oil Company v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 70-476 filed March 4, 1970.

(vi) Mohawk Petroleum Corporation v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 71-645 filed April 2, 1971.

(vii) Gulf Oil Corporation v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 71-664 filed April 6, 1971.

(viii) Powerine Oil Company, on its own behalf and as assignee of the following entities: Retail Gasoline Associates; Rothschild Industries; Investment Holding, Inc.; Pan-Nova, Inc.; Coin-Op Gasoline Associates; Harry R. Rothschild, Stations No. 9, No. 90 and No. 37 v. Blue Chip Stamp Company and Blue Chip Stamps. Civil Action No. 72-321 filed February 23, 1972.

In the Douglas Oil action the plaintiff claims damages of $5,050,000. In the Powerine Oil action the plaintiffs claim damages of $1,000,000. Each of the other complaints asserts injuries in amounts not yet ascertained and all eight complaints seek treble damages plus attorneys' fees and costs.

(d) Manor Drug Stores, and all other users of Blue Chip Stamps who were entitled but failed to purchase stock of Blue Chip Stamps, on behalf of themselves and all other persons similarly situated v. Blue Chip Stamps, Blue Chip Stamp Co., a merged corporation, Alexander's Markets, Lucky Stores, Inc., Market Basket, Purity Stores, Inc., Ralphs Grocery Company, Safeway Stores, Inc., Thriftimart, Inc., Thrifty Drug Stores Co., Inc., Vons Grocery Co., Robert E. Alexander, Donald A. Koeppell, Leonard H. Straus, William F. Ramsey, Robert E. Laverty, Richard Ralphs, John R. Niven, Fred Von der Ahe.

This purported class action has been appealed by the plaintiffs to the United States Court of Appeals for the Ninth Circuit, No. 71-2223, following the District Court's dismissal of said action with prejudice on motions of the defendants. The original action was filed on November 10, 1970 in the United States District Court, Central District of California as Civil Action No. 70-2539. The amended complaint filed January 27, 1971 alleged damages to plaintiffs of $21,400,000 and exemplary damages of $25,000,000 based upon alleged breach of contract, fraud and misrepresentation in connection with an offering of securities by the Company in 1968. Plaintiffs also sought to recover interest, attorneys' fees and costs and to obtain the right to purchase stock, or units of stock and debentures, of the Company on the terms of the 1968 offering.

On June 21, 1971 plaintiffs filed a substantially identical action against the same defendants in the Superior Court of the State of California for the County of Los Angeles, No. C-5652. The Company has not yet been served with process in this latter action.

(e) <u>Eleanor A. Botney and Thelma G. Daar, in behalf of themselves and all others similarly situated v. Blue Chip Stamps.</u>

This action No. 997374 was filed on March 1, 1971 in the Superior Court of the State of California for the County of Los Angeles for declaratory relief and for money as a purported class action to recover for trading stamp savers monies collected as reimbursement for California sales taxes on redemption of stamps. Plaintiffs claim that the redemption transaction is not taxable and all such collections should be returned to trading stamp savers or, alternatively, that such collections exceeded the tax payable and such excess should be returned. The Company has paid sales taxes to the state equal to its reimbursement collections, which in recent years have averaged about $7,000,000 annually. The Company has asserted claims against the state for reimbursement for all or part of any recovery by plaintiffs in the event they prevail in the action.

(f) Allen E. Botney and David Daar v. Board of Equalization, an agency of the State of California. No. C-14662 filed October 19, 1971.

Plaintiffs, on behalf of all sales taxpayers in California, petitioned the Superior Court of the State of California for the County of Los Angeles for a writ of mandate to compel the collection by the State Board of Equalization of sales taxes from trading stamp companies on the delivery of trading stamps to retailers. The Company and another trading stamp company were designated as the real parties in interest in said petition. The petition was denied by the Court in March 1972.

Item 6. Increases and Decreases in Outstanding Equity Securities.

Following is an analysis of changes in the amount of the Company's $1.00 par value common stock outstanding during the fiscal year ended March 4, 1972:

	Shares	Amount
Balance, February 27, 1971	5,026,000	$5,026,000
Exercise of stock options, principally in February 1972	13,000	13,000
Balance, March 4, 1972	5,039,000	$5,039,000

For additional information on the Company's qualified stock option plan, reference should be made to Note 7 to the Company's consolidated financial statements in the attached printed annual report and to the supplementary information contained on page S-4 hereof.

Shares sold pursuant to the qualified stock option plan have not been registered under the Securities Act of 1933. The issuance of such shares is exempt from registration under said Act pursuant to Section 4(2) thereof as not involving any public offering, because the group of optionees has not exceeded 16 officers

Item 6. Increases and Decreases in Outstanding Equity Securities. (Continued)

and key employees at any one time. Pursuant to said Plan, optionees have been required upon exercise of options to represent in writing that the shares have been acquired for investment. In addition the Company has followed the practice of issuing stop-transfer instructions. As a result of these two precautions, legending of the certificates has not been deemed necessary.

Item 7. Approximate Number of Equity Security Holders.

Title of class	Number of record holders as of March 31, 1972
Common stock, par value $1.00 per share	3,468

Item 8. Executive Officers of the Registrant.

Following is a list of the Company's executive officers, whose ages range from 54 to 38 years:

Name	Position
Donald A. Koeppel	Chairman of the Board and President
William F. Ramsey	Executive Vice President
Raymond H. Allen	Vice President, Information Systems
Gerald N. Anderson	Vice President, Sales
James D. Carter	Vice President, Operations
William K. Klepper	Vice President, Merchandise
Robert H. Bird	Secretary and Treasurer

Item 9. Indemnification of Directors and Officers.

Reference is made to Item 29 of Part II of the Company's Registration Statement (Form S-1) No. 2-35318 dated December 17, 1969.

Item 10. Financial Statements and Exhibits Filed.

(a) Financial Statements:

Index to Financial Statements

The March 4, 1972 and February 27, 1971 consolidated balance sheet and consolidated statements of income, stockholders' equity and changes in financial position and notes thereto, together with the opinion thereon of Price Waterhouse & Co. dated April 7, 1972, appearing in the attached 1972 printed annual report are incorporated in this Form 10-K Annual Report. With the exception of the aforementioned information, the 1972 printed annual report is not to be deemed filed as part of this report.

The following additional financial data should be read in conjunction with the financial statements and notes referred to above. Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in such financial statements or notes.

The individual financial statements of the Company have been omitted since its total assets, exclusive of its investment in its consolidated subsidiary, constitute more than 75% of the total assets shown by the consolidated balance sheet filed herewith, and the Company's total gross revenues, exclusive of its equity in net income of its consolidated subsidiary, constitute more than 75% of total gross revenues shown by the consolidated income statement filed herewith.

Item 10. Financial Statements and Exhibits Filed. (Continued)

	Page number
Financial schedules -	
I - Marketable securities	S-5 - S-7
V - Property, fixtures and equipment	S-8
VI - Accumulated depreciation and amortization of property, fixtures and equipment	S-9
XVI - Supplementary profit and loss information	S-10

(b) Exhibits:

(1) Incorporated by reference to:

Form 10-K Annual Report of See's Candy Shops, Incorporated for the six months ended February 29, 1972 -

4(c). Compendium Amendment to Profit Sharing Plan and Trust Agreement of See's Candy Shops, Incorporated Effective September 1, 1971

5(f). Compendium Amendment to Profit Sharing Plan and Trust Agreement of See's Candies, Inc. Effective September 1, 1971

Form 10-K Annual Report of See's Candy Shops, Incorporated for the fiscal year ended August 31, 1971 -

6. Employment Agreement between See's Candies, Inc. and Edward G. Peck, dated August 14, 1964, as amended and extended on August 18, 1969, April 15, 1970 and April 29, 1971

7. Employment Agreement between See's Candies, Inc. and Charles N. Huggins, dated September 15, 1970

8. Employment Agreement between See's Candy Shops, Incorporated and Hugh S. Fry, dated September 15, 1970 (terminated March 1, 1972)

Item 10. Financial Statements and Exhibits Filed. (Continued)

Form 8-K Current Report of Blue Chip Stamps for December 1971 -

13.8 Stock Purchase Agreement dated December 21, 1971

(2) Filed herewith:

13.9 Loan Agreement datec ecember 30, 1971 between Blue Chip S amps and Bank of America National Trust and Savings Association

Items 11 to 15 Inclusive:

These items are omitted pursuant to General Instruction H to Form 10-K. The Company has filed with the Securities and Exchange Commission a proxy statement pursuant to Regulation 14A for its annual meeting of stockholders scheduled for May 25, 1972.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLUE CHIP STAMPS

Dated May 30, 1972

By RHB

R. H. Bird
Secretary and Treasurer

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the application of our opinion, which appears on the last page of the 1972 printed annual report of Blue Chip Stamps, to the additional financial data listed in the foregoing index when this data is read in conjunction with the financial statements in such annual report; our opinion and the financial statements have been incorporated in this Form 10-K Annual Report. The examinations referred to in our opinion included examinations of the additional financial data.

Price Waterhouse & Co.
PRICE WATERHOUSE & CO.

606 South Olive Street
Los Angeles 90014
April 7, 1972

SUPPLEMENTARY INFORMATION TO NOTES TO FINANCIAL STATEMENTS

	March 4, 1972	February 27, 1971
Income from marketable securities:		
Interest	$1,784,000	$2,440,000
Dividends	4,575,000	3,763,000
	$6,359,000	$6,203,000

The cost of securities sold is determined by the first-in, first-out method.

Beginning and ending inventories for the two fiscal years ended March 4, 1972 are as follows:

February 28, 1970	$19,011,000
February 27, 1971	17,197,000
March 4, 1972	14,187,000

The above amounts consist primarily of redemption merchandise with the exception that the March 4, 1972 amount includes $1,459,000 relating to candy operations.

The estimated useful lives used in computing depreciation are as follows:

Buildings	10 to 40 years
Furniture, fixtures and equipment	3 to 15 years
Leasehold improvements	Lives of leases

Expenditures for renewals and betterments of property, fixtures and equipment are capitalized; maintenance and repair costs are charged to income as incurred. When assets are retired or otherwise disposed of, the accounts are relieved of applicable cost and accumulated depreciation and amortization, and any gain or loss on disposal is credited or charged to income.

The excess of cost over equity in net assets of subsidiary, less accumulated amortization, as shown on the balance sheet, represents the difference between the Company's equity in the net assets of its consolidated subsidiary and its investment therein.

The components of accounts payable and accrued expenses are as follows:

	March 4, 1972	February 27, 1971
Accounts payable	$4,989,000	$3,861,000
Accrued compensation	2,068,000	1,070,000
Taxes other than income	623,000	465,000
	$7,680,000	$5,396,000

Included in interest and discount amortization is amortization of debenture discount amounting to $365,000 and $358,000 for the fiscal years ended March 4, 1972 and February 27, 1971. Debenture discount is being amortized over the term of the debentures by use of the debentures outstanding method.

Provisions for income taxes include state taxes of $185,000 and $688,000 for the fiscal years ended March 4, 1972 and February 27, 1971.

Minority interest in See's Candy Shops, Incorporated, at March 4, 1972 consists of the following:

Common stock	$ 33,000
Retained earnings	1,152,000
	$1,185,000

The Company's subsidiary has two profit-sharing plans which cover employees meeting certain eligibility requirements. The plans do not call for employee contributions nor provide for prior service credits. Company contributions are discretionary and subject to certain limitations. Provisions for contributions to the trust funds for the two months ended March 4, 1972 totaled $68,000.

Under the Company's qualified stock option plan, options for 332,500 shares were granted in February 1969 at $6.10 per share, and options for 7,500 shares were granted in March 1970 at $14.75 per share, fair market values at dates granted. The options are exercisable in four annual instalments beginning one year after date of grant and expire five years after such date. The excess of aggregate proceeds from exercise over par value is credited to paid-in capital.

The following table summarizes information relating to such stock option plan during the two fiscal years ended March 4, 1972:

	Year ended	
	March 4, 1972	February 27, 1971
Options which became exercisable during the period:		
Number of shares	78,625	76,750
Option price -		
Per share	$6.10 & $14.75	$6.10
Total	$495,830	$468,175
Market price at date first exercisable -		
Per share	$14.625 & $18.125	$17.00
Total	$1,156,450	$1,304,750
Options exercised during the period:		
Number of shares	12,300	77,000
Option price -		
Per share	$6.10 & $14.75	$6.10
Total	$77,625	$469,700
Market price at dates exercised -		
Per share range	$14.625-$17.125	$14.50-$17.125
Total	$187,000	$1,205,600

At March 4, 1972 options to purchase 150,700 shares were outstanding at an aggregate price of $981,550 (including options for 68,325 shares currently exercisable for $430,406).

SCHEDULE I - MARKETABLE SECURITIES
MARCH 4, 1972

Name of issuer and title of issue	Number of shares or units - principal amount of bonds and notes	Amount at which carried in balance sheet	Value based on current market quotations at March 4, 1972
Time deposits	$10,975,000	$10,975,000	$10,975,000
Commercial paper	$10,000,000	$ 9,965,000	$ 9,983,000
Securities issued by states and municipalities and instrumentalities thereof, maturing:			
Five to fifteen years (3 issues)	$ 1,400,000	1,372,000	1,204,000
Over fifteen years (25 issues)	16,245,000	15,963,000	12,168,000
	$17,645,000	$17,335,000	$13,372,000
Stocks of corporations listed on United States exchanges or having quoted market values:	Shares		
Preferred stocks -			
American Can Co., 7% Cum.	15,000	570,000	396,000
Duke Power Co., 6-3/4% Cum. Conv.	10,000	1,000,000	1,010,000
E. I. du Pont de Nemours, $4.50 Cum.	7,500	721,000	530,000
General Motors, $3.75 Cum.	7,700	630,000	446,000
Natural Gas Pipeline Co. of America, 9.20% Cum.	40,000	4,000,000	4,240,000
Natural Gas Pipeline Co. of America, 7.90% Cum.	10,000	920,000	1,045,000
Pacific Power & Light Co., 8.92% Cum.	40,000	3,957,000	4,200,000
Panhandle Eastern Pipe Co., 8.60% Cum.	11,400	1,146,000	1,240,000
Southern Calif. Edison, 8.96% Cum.	50,000	5,000,000	5,675,000

SCHEDULE I - MARKETABLE SECURITIES (CONTINUED)
MARCH 4, 1972

Name of issuer and title of issue	Number of shares or units - principal amount of bonds and notes	Amount at which carried in balance sheet	Value based on current market quotations at March 4, 1972
Preferred stocks - (Continued)	Shares		
Texas Gas Transmission, 9.36% Cum.	10,000	$ 1,000,000	$ 1,070,000
Truckline Gas Co., 9.12%	18,000	1,717,000	1,980,000
Tri-Continental Corp., $2.50 Cum.	10,000	550,000	371,000
Other	22,029	1,639,000	1,286,000
	251,629	$22,850,000	$23,489,000
Common stocks -			
Allegheny Power System	50,000	$ 1,088,000	$ 1,069,000
American Natural Gas	35,000	1,251,000	1,295,000
American Telephone & Telegraph	220,000	10,588,000	9,487,000
Central Bancorporation of Ohio	19,300	458,000	516,000
Cleveland Trust Co. - Capital	42,060	3,303,000	3,302,000
Colt Industries Inc.	9,800	633,000	194,000
Consumers Power Co.	38,634	1,292,000	1,149,000
Detroit Bank and Trust	142,575	7,248,000	7,111,000
Fansteel, Inc.	23,300	705,000	282,000
Harris Trust & Savings Bank	18,400	929,000	925,000
Harsco Corp.	20,000	538,000	465,000
Hartford National Corp. - Capital	43,844	1,343,000	1,326,000
Iowa Power & Light Co.	43,000	1,071,000	1,043,000
Kansas City Power and Light Co.	34,000	1,145,000	1,105,000
Kansas Power and Light Co.	50,000	1,031,000	1,275,000
The Leisure Group, Inc.	21,000	472,000	32,000
Manufacturers National Bank of Detroit	72,980	3,706,000	3,813,000
Montana Power Co.	35,000	1,008,000	1,059,000
National Bank of Detroit	218,380	10,645,000	10,510,000

SCHEDULE I - MARKETABLE SECURITIES (CONTINUED)
MARCH 4, 1972

Name of issuer and title of issue	Number of shares or units - principal amount of bonds and notes	Amount at which carried in balance sheet	Value based on current market quotations at March 4, 1972
Common stocks - (Continued)	Shares		
Northern States Power	50,000	$ 1,246,000	$ 1,338,000
Occidental Petroleum Corp.	20,000	923,000	248,000
Peoples Gas Co.	35,000	1,171,000	1,199,000
Philadelphia Electric	51,700	1,235,000	1,234,000
Pittsburgh National Corp.	182,400	6,188,000	6,247,000
State Street Boston Financial Corp.	65,781	2,664,000	2,639,000
Third Nat'l. Bank Nashville, Tennessee	301,900	7,584,000	10,793,000
Toledo Edison Co.	40,000	1,047,000	1,190,000
Union Electric Co.	50,000	939,000	906,000
Other	62,077	2,155,000	2,168,000
	1,996,131	$ 73,606,000	$ 73,920,000
Total marketable securities		$134,731,000	$131,739,000

SCHEDULE V - PROPERTY, FIXTURES AND EQUIPMENT

Classification	Balance at beginning of period	Additions at cost: Through acquisition of subsidiary	Additions at cost: Other	Retirements or sales	Balance at close of period
Year ended February 27, 1971:					
Land	$ 535,000		$ 133,000	$ 10,000	$ 658,000
Buildings	840,000		1,029,000	39,000	1,830,000
Furniture, fixtures and equipment	4,202,000		801,000	193,000	4,810,000
Leasehold improvements	831,000		142,000	39,000	934,000
	$6,408,000		$2,105,000	$281,000	$ 8,232,000
Year ended March 4, 1972:					
Land	$ 658,000	$ 2,242,000			$ 2,900,000
Buildings	1,830,000	3,242,000	$ 500,000		5,572,000
Furniture, fixtures and equipment	4,810,000	3,957,000	419,000	$289,000	8,897,000
Leasehold improvements	934,000	2,326,000	193,000	47,000	3,406,000
	$8,232,000	$11,767,000	$1,112,000	$336,000	$20,775,000

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, FIXTURES AND EQUIPMENT

Classification	Balance at beginning of period	Additions: Through acquisition of subsidiary	Additions: Charged to profit and loss or income	Retirements, renewals, and replacements	Balance at close of period
Year ended February 27, 1971:					
Buildings	$ 271,000		$ 50,000	$ 15,000	$ 306,000
Furniture, fixtures and equipment	2,691,000		605,000	165,000	3,131,000
Leasehold improvements	518,000		103,000	39,000	582,000
	$3,480,000		$758,000	$219,000	$4,019,000
Year ended March 4, 1972:					
Buildings	$ 306,000	$1,507,000	$122,000		$1,935,000
Furniture, fixtures and equipment	3,131,000	2,661,000	691,000	$231,000	6,252,000
Leasehold improvements	582,000	997,000	119,000	43,000	1,655,000
	$4,019,000	$5,165,000	$932,000	$274,000	$9,842,000

SCHEDULE XVI - SUPPLEMENTARY PROFIT AND LOSS INFORMATION

	Cost of redemptions and sales	Selling, general and administrative expenses	Total
Year ended February 27, 1971:			
Maintenance and repairs	$ 464,000	$ 56,000	$ 520,000
Depreciation and amortization	708,000	50,000	758,000
Taxes other than income taxes -			
Payroll	492,000	98,000	590,000
Property	384,000	23,000	407,000
Other	76,000	5,000	81,000
Rents	1,815,000	19,000	1,834,000
Year ended March 4, 1972:			
Maintenance and repairs	$ 475,000	$112,000	$ 587,000
Depreciation and amortization	778,000	154,000	932,000
Taxes other than income taxes -			
Payroll	486,000	192,000	678,000
Property	466,000	47,000	513,000
Other	83,000	8,000	91,000
Rents	1,959,000	294,000	2,253,000

No royalties or management and service contract fees were incurred.

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