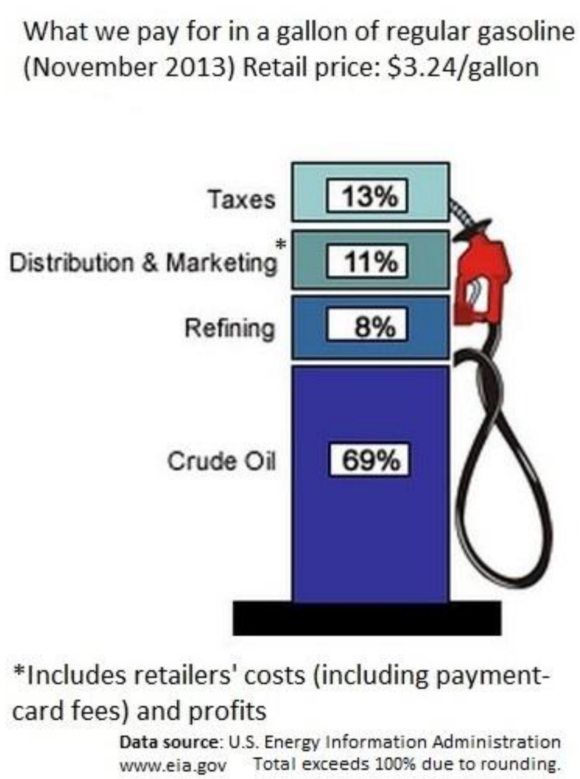
<u>C-Store Net Profit Margin Increase as a Function of Electricity Savings</u>

Privately owned gas stations historically have some of the thinnest profit margins in retailing. Net profit margins, on average, increased to nearly 3% in 2013 compared with 1.6% in 2012. At the same time, sales among private gas stations were relatively flat, increasing only about 1% from 2012.

A financial statement analysis by Sageworks shows that gas stations in 2013 experienced less pressure on their margins from key costs (costs of goods sold, or COGS), which were about 87% of sales, on average. Fuel expense is the biggest component of COGS.

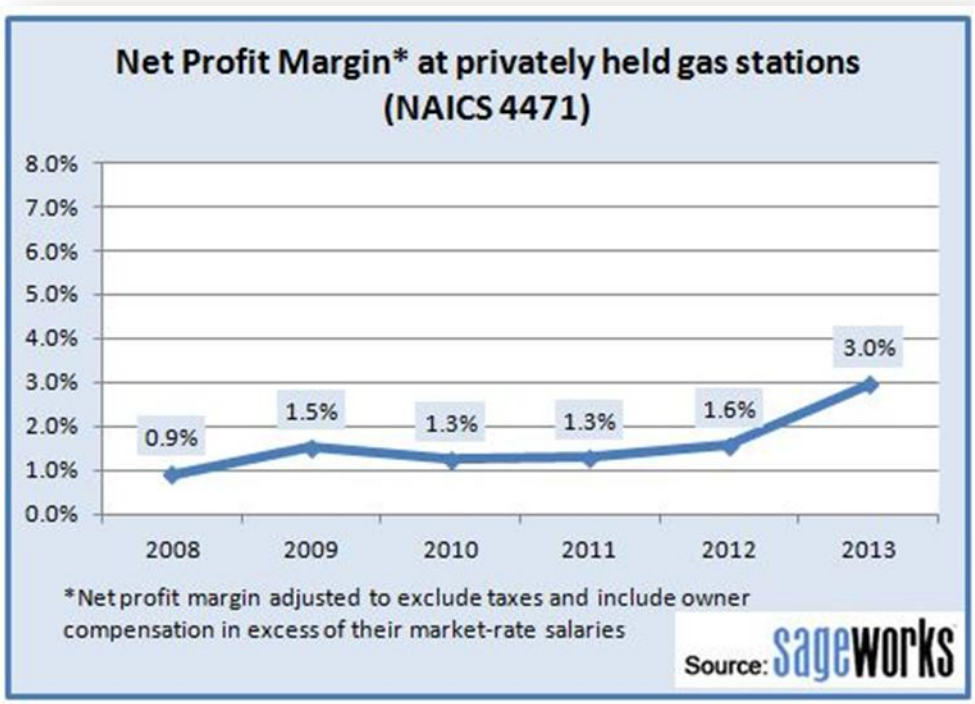


If you consider the fact that gas stations' margins are so thin to begin with, any fluctuation in COGS – even if it's not significant – can have a pretty dramatic impact on stations' ultimate margins. Gas station owners have been taking home about a dime a gallon recently.

Private gas stations still have lower net profit margins on average than most retailers. And the average net profit margin for privately held companies across all industries was more than 8% in 2013, according to data from Sageworks.

Retailers know consumers will go somewhere else to save a few pennies a gallon, so they keep the difference between the selling price and their fuel costs as low as possible, according to the 2013 Retail Fuels Report by NACS, the Association for Convenience and Fuel Retailing.

Indeed, while 71% of a store's total sales are motor fuels, only 36% of profit dollars are generated by fuels, the trade group said in its report. Many gas station owners try to make up for the thin gasoline margins through sales of other products, such as snacks and drinks.



The previous 6 year average net profit margin = 1.6%

C-Store Model Lighting Inventory

Hours of operation = 24 hours / 7 days / week

Qty (24) 400W Fuel Station canopy fixtures on 11 hour cycle = 44,325 KWH

Qty (40) 40W,4 lamp T12, 2 x 4 troffers on 24 hour cycle = 64,516 KWH

Qty (6) 175W Wallpacks on 11 hour cycle = 4848 KWH

Qty (2) 2 lamp 85W T12 cooler Interior fixtures on 24 hour cycle = 3427 KWH

Qty (15) 85W T12 Cooler Doors on 24 hour cycle = 12,852 KWH

Qty (12) 8 foot, 2 lamp 85W T12 Fluorescent strips on 11 hour cycle on soffit perimeter = 9419 KWH

Total lighting annual KWH = 139,387

U.S average commercial electricity rate = .11 / KHW

Annual lighting electricity expense = $15,332

Total Electricity Bill = approximately $4258/ month = $51,106/ year

Lighting = approximately 30% which = $1277 / month = $15,332 / year

Lighting maintenance costs = approximately $4000 / year (eliminated under warranty for 3-5 years with LED)

Estimated total annual existing lighting expense = $19,332 / year

Estimated annual electricity savings from LED retrofit @ 75% = $11,500 / year

Estimated total annual lighting expense savings = $15,500

Estimated LED retrofit installed cost = approximately $33,800

Return on investment = approximately 2.18 years

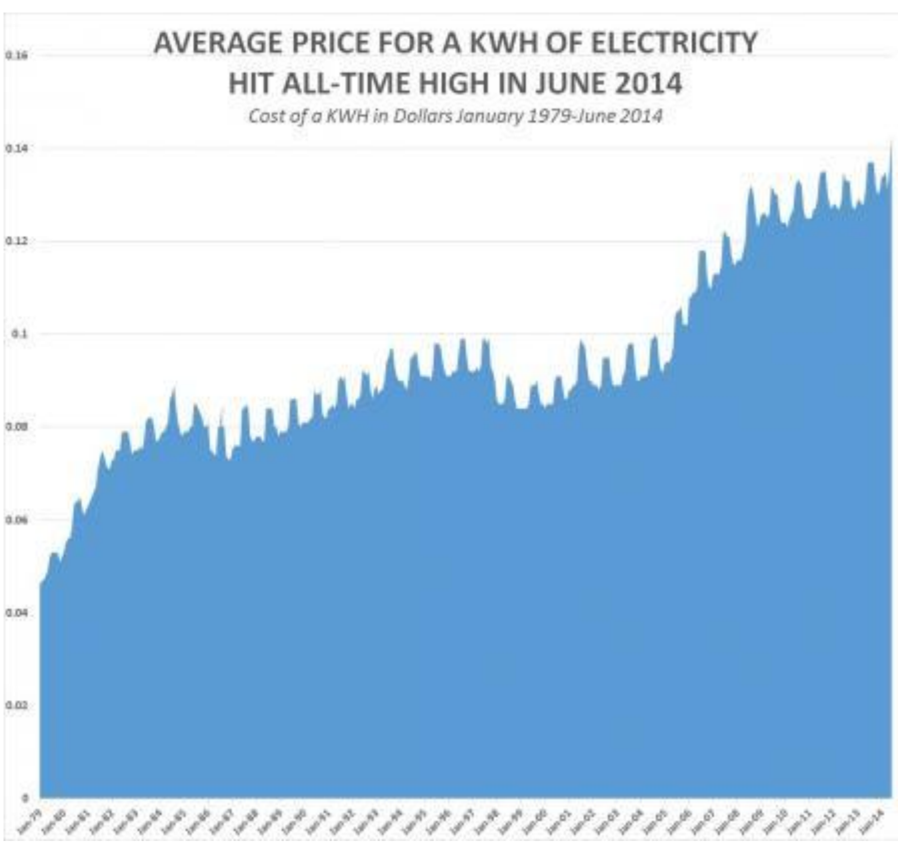
Note: This does not include any available utility rebates which generally range from 5 – 7.5% of total job cost. Other incentives may be available as well.

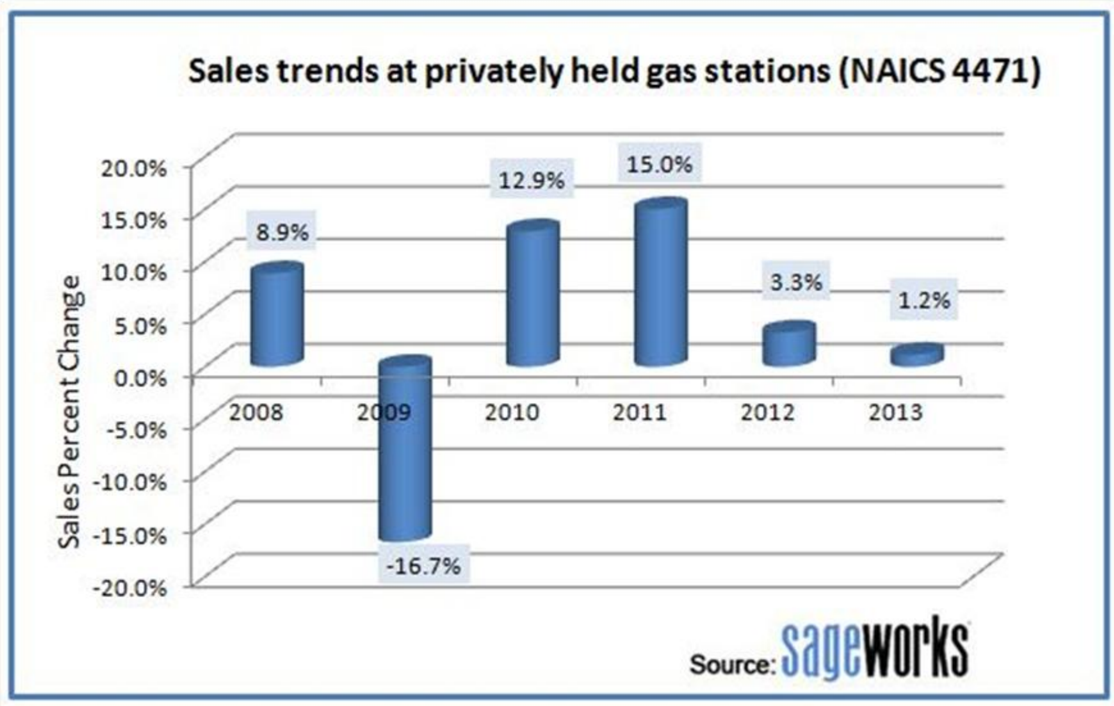
The annual gross sales required to achieve a $15,500 net profit @ 1.6% net profit margin = $968,750.

Note 1. This calculation does not include the reduction in demand charges which are billed at a higher rate & are typically 25% of the total bill which would be significantly reduced by a decrease in KWH.

Note 2. This estimate does not include an additional savings of approximately 20% in refrigeration energy costs realized by LED case lighting temperature reduction.

Note 3. The average annual electricity rate increase over the past 10 years is approximately 5%.





Sageworks collects financial statements for private companies from accounting firms, banks and credit unions, and aggregates the data at an approximate rate of 1,000 statements a day.

Sources:

U.S. Energy Information Administration

Sageworks

NACS -The Association for Convenience and Fuel Retailing

Forbes Magazine