WHORM Subject File Code: FG006-01
(Federal Government Organizations:
White House Office)
Case file Number(s): 085700-085799
Box: 24

TJ, /[illegible]

085750

ID # FG006-01

WHITE HOUSE
COUNSELLOR'S OFFICE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) 8216 128

Name of Correspondent: Richard L. Berkley

☑ CN Mail Report **User Codes:** (A) ____ (B) ____ (C) ____

Subject: Writer thanks Mr. Meese for coming to Kansas City.

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CNHAMM	O CS	8216 128		C	82,08,19 CS
Referral Note:					
CNCRIB	A DD	82,06,28		C	82,08,19 CS
Referral Note:					
CNMEES	I DD	82,06,28		C	82,06,28 DD
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					

ACTION CODES:
A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet to be used as Enclosure
I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:
A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:
Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments:

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

11/81

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: ______ Media: L Individual Codes: 2400 _.___ _.___

Prime Subject Code: FG 006.01 Secondary Subject Codes: LG KANSA __ ___.__

__ ___.__ __ ___.__

__ ___.__ __ ___.__

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C __ __	______	Time:	P-
DSP	______	Time:	Media: ____

SIGNATURE CODES:

CPn - Presidential Correspondence
- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

CLn - First Lady's Correspondence
- n - 0 - Unknown
- n - 1 - Nancy Reagan
- n - 2 - Nancy
- n - 3 - Mrs. Ronald Reagan

CBn - Presidential & First Lady's Correspondence
- n - 1 - Ronald Reagan - Nancy Reagan
- n - 2 - Ron - Nancy

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- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

Office of the Mayor

Richard L. Berkley, Mayor

City of Kansas City, Missouri
Heart of America

29th Floor, City Hall
Kansas City, Missouri 64106

816 274-2595

June 25, 1982
(Dict 6/24)

085750

Mr. Edwin Meese III
Counselor to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Ed,

It was great having you in Kansas City! It's obvious that the N.O.B.L.E. organization is most appreciative of the work you have been doing with them, and what is anticipated in the future. The warm reception you received is very well deserved.

I know your schedule is very busy, but we hope that you will have an opportunity to come to Kansas City again in the not too distant future. Please don't hesitate to let us know if we can be of any assistance to you at any time.

Best regards,

Dick

Richard L. Berkley

RLB/djb

ID # 085752
FG 006-01

WHITE HOUSE
COUNSELLOR'S OFFICE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) 8216 128

Name of Correspondent: L. W. Lane, Jr.

☒ **CN Mail Report** **User Codes:** (A) ____ (B) ____ (C) ____

Subject: Writer supports the Presidents' veto of the housing subsidy bill and also sends a copy of his letter supporting Mr. Meese's application for membership in the Bohemian Club.

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
	CNHAMM	O	8216 28		C	821 8 123
Referral Note:						
	CNCRIB	A	82106128	NAN	C	821 8 123
Referral Note:						
	CNMEES	I	82106128		C	82106128
Referral Note:						
			/ /			/ /
Referral Note:						
			/ /			/ /
Referral Note:						

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Comments: ____

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11/81

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: ______ Media: L Individual Codes: 4.620 __.___ __.___

Prime Subject Code: FG 006.01 Secondary Subject Codes: FA 004.__ __ ___.__
LE 002.__ __ ___.__
__ ___.__ __ ___.__

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C __ __	______	Time: ______	P- ______
DSP	______	Time: ______	Media: ______

SIGNATURE CODES:

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LANE PUBLISHING CO.

SUNSET MAGAZINE - BOOKS - FILMS

L. W. LANE, JR.
Chairman of the Board
and
Publisher, Sunset Magazine

June 25, 1982

The Honorable Edwin Meese III
Counsellor to the President
The White House
Washington, D.C. 20506

085752

Dear Ed:

I would appreciate it if you could just quickly mention to the President that I fully support his veto of the appropriation Bill containing the housing "bail out" add-on.

Although both SUNSET Magazine and SUNSET Books are very definitely related to, and benefit from the vitality of the housing industry, I think it would be a very bad precedent. I fully support his veto.

I think it is a dangerous precedent to look at any one industry for massive federal financial help -- although some of our mutual friends tell me that certain industries such as transportation, etc., can be rationalized in the name of "protection" for certain industries related to the defense of our country. That may be so -- but "housing" certainly does not fall into that category, in my opinion.

Glad your back is better and I hope we see you at the Bohemian Grove this Summer -- I wrote a letter supporting your application for membership, copy attached. I doubt if you need the help, but I wanted to register my enthusiasm for your application.

Hope Ursula enjoys Africa.

Very sincerely,

Bill

LWLJr/kh
Enclosure

P.S. Recently had Ed Thomas and his wife down for a luncheon honoring some folks in the San Francisco Diplomatic Corps on the retirement of the British Consul General. He looks fine and I gather is enjoying his more relaxed life. We hope to see him up in the Lake Tahoe area this Summer.

WILLOW & MIDDLEFIELD ROADS, MENLO PARK, CALIFORNIA 94025 TEL. (415) 321-3600

LANE PUBLISHING CO.

SUNSET MAGAZINES - BOOKS - FILMS

L. W. LANE, JR.
Chairman of the Board
and
Publisher, Sunset Magazine

June 25, 1982

Ed - Great news!! Bill

Dear George,

Congratulations! There just could not be a wiser choice for a relationship with the President or greater wisdom and proven experience and compassion for the job.

I feel very good for our country, George.

If I can ever be helpful to you, please let me know.

Sincerely, Bill

Best to Obie

LANE PUBLISHING CO.

SUNSET MAGAZINE - BOOKS - FILMS

L. W. LANE, JR.
Chairman of the Board
and
Publisher, Sunset Magazine

June 25, 1982

Mr. George Elliott
Chairman
Membership Committee
Bohemian Club
624 Taylor Street
San Francisco, California 94102

Re: Edwin Meese III
Member Applicant - Non-Resident

Dear Mr. Elliott:

I have know Ed Meese for a number of years -- as a senior member of Governor Reagan's staff, as an educator and professional in several fields, currently as Presidential Counsellor, and as a personal friend. Mrs. Lane and I are acquainted with both Ed and his lovely wife, Ursula.

Ed is talented, a very well-respected member of the legal profession in California, and would make a real contribution in Bohemia in several areas.

> Most importantly, in my opinion, he is one of the most humble and genuinely human senior government officials I have ever known -- a trait of any sterling Bohemian!!

* I promise he will not be tempted to test walking on water down at the Grove's Russian River swimming hole!!

He has in the past as a guest, and will as a member, thoroughly enjoy the amenities of the Club and the Grove and share his many talents and experiences with the membership. Ed Meese will be an excellent Non-Resident Member in every way.

I recommend him highly.

Very sincerely,

LWLJr/kh
bcc: Ed Meese

* As you may have heard - some government officials have had a bit too much ego. You made a great hit last summer. Bill

WILLOW & MIDDLEFIELD ROADS, MENLO PARK, CALIFORNIA 94025, TEL. (415) 321-3600

ID # 085753
FG 006-01

WHITE HOUSE
COUNSELLOR'S OFFICE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) 821 6 127

Name of Correspondent: S.R. Petersen

☑ CN Mail Report **User Codes:** (A) ____ (B) ____ (C) ____

Subject: Writer thanks Mr. Meese for meeting with Thomas Hennessy, Elvira Orly and himself.

ROUTE TO: | **ACTION** | **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CNHAMM	O	CS 821 6 128		C	821081 19 CS
Referral Note:					
CNCRIB	A	CS 82106128		C	82108119 CS
Referral Note:					
CNMEES	I	CS 82106128		C	82106128 CS
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					

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FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments:

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RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: ______ Media: L Individual Codes: 4.200 _.___ _.___

Prime Subject Code: FG 006.01 Secondary Subject Codes: __ ___-__ __ ___-__

__ ___-__ __ ___-__

__ ___-__ __ ___-__

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C __	______	Time:	P-
DSP	______	Time:	Media: ___

SIGNATURE CODES:

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- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

Getty

27 JUN 1982

Getty Oil Company | 3810 Wilshire Boulevard, Los Angeles, California 90010 • Telephone (213) 739-2503

S. R. Petersen
Chairman of the Board
and Chief Executive Officer

085753

June 25, 1982

Mr. Edwin Meese, III
Counsellor to the President
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Mr. Meese:

I would like to thank you for meeting with Mr. Thomas Hennessy, Ms. Elvira Orly and myself last week. We certainly enjoyed conversing with you about the federal budget and tax increases as well as the Northern Tier Pipeline. We found this exchange of ideas to be most beneficial.

Knowing how busy your schedule is, I particularly appreciate your taking the time to meet with us.

Sincerely yours,

SR Petersen

S. R. Petersen

EJO:djs

085754

ID # FG006-01

3N

WHITE HOUSE
COUNSELLOR'S OFFICE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING

CNHAMM

Date Correspondence Received (YY/MM/DD) 8216 128

Name of Correspondent: William F. Quinn

☑ CN Mail Report   User Codes: (A) ____ (B) ____ (C) ____

Subject: The ~~classes~~ ~~to~~ Coast Guard Officers' Candidate School classes into which Mr. Meese was able to get Robert J. Lloyd enrolled, have been cancelled, and writer requests that Mr. Meese recommend this candidate for the fall classes.

ROUTE TO: Office/Agency (Staff Name)	ACTION: Action Code	Tracking Date YY/MM/DD	DISPOSITION: Type of Response	Code	Completion Date YY/MM/DD
CNHAMM	O	8216 128		C	82,9,18
Referral Note:					
CNCRIB	A	82,06,28		C	82,08,19
Referral Note:					
CNMEES	I	82,06,28		C	82,06,28
Referral Note:					
Ed Hickey	A	82,08,19		C	82,08,21
Referral Note:					
DOT	A	82,08,25		A	82,08,31
Referral Note:					

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C - Comment/Recommendation
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C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: COAST GUARD BELONGS TO TRANSPORTATION DEPT. NOT DOD

Keep this worksheet attached to the original incoming letter.
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11/81

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: ______ Media: L Individual Codes: 4620 2600 _ . ___

Prime Subject Code: FG 006.01 Secondary Subject Codes: FG 024.01 __ ___.__
LG NEWTO __ ___.__
__ ___.__ __ ___.__

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C __ __	______	Time:	P-
DSP	______	Time:	Media: ____

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- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

(G-PMR/TP44)
(202) 426-1370

1131

AUG 31 1982

Mr. William F. Quinn
Chief of Police
P.O. Box P
1321 Washington Street
Newton, MA 02165

Dear Mr. Quinn:

I am writing on behalf of Mr. Edwin Meese in response to your letter of 25 June 1982 concerning the Officer Candidate School application of Robert T. Lloyd, Jr.

Mr. Lloyd is currently the first alternate for the September 12 class and the November 14 class. In addition he will automatically be reconsidered as a primary candidate in our September selection to fill the remainder of the November class.

Thank you for your continued interest in Mr. Lloyd and in the Coast Guard.

Sincerely,

S. H. SMITH
Captain, U. S. Coast Guard
Chief, Recruiting Division
By direction of the Commandant

ACTION
is assigned to
USCG
CONTROL NO.
384723
SIRS S-10

THE WHITE HOUSE OFFICE

REFERRAL

AUGUST 25, 1982

TO: DEPARTMENT OF TRANSPORTATION

ACTION REQUESTED:
APPROPRIATE ACTION

DESCRIPTION OF INCOMING:

ID: 085754

MEDIA: LETTER, DATED JUNE 25, 1982

TO: EDWIN MEESE

FROM: MR. WILLIAM F. QUINN
CHIEF OF POLICE
CITY OF NEWTON POLICE DEPARTMENT
1321 WASHINGTON STREET
NEWTON MA 02165

SUBJECT: THE COAST GUARD OFFICER'S CANDIDATE SCHOOL CLASSES INTO WHICH MR. MEESE WAS ABLE TO GET ROBERT J. LLOYD ENROLLED HAVE BEEN CANCELLED AND WRITER REQUESTS THAT MR. MEESE RECOMMEND THIS CANDIDATE FOR THE FALL CLASSES

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

U.S. DEPT OF TRANSPORTATION
1982 AUG 25 AM 10:02
OFFICE OF SECRETARY OF TRANSPORTATION EXECUTIVE SECRETARIAT

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

U.S. National Archives & Records Administration

Current Status Details
for CTRH RECID: 085760
MAIN SUBCODE: FG006-01

Current Status	None
User Name	dbarrie
Status Date	2011-10-08
Case Number	
Notes	Transferred to FG067

Change Status Close Window

Review Status History

No.	Status	Date	User	Case Number	Notes
1	None	2011-10-08	dbarrie		Transferred to FG067
2	Open	2011-03-23	KUlrich	S09-236	
3	None	2010-09-13	dbarrie		
4	None	2010-09-13	dbarrie		
5	Open	2010-09-13	mking		
6	Open	2010-09-13	dbarrie		
7	None	2010-09-08	swilliams		
8	None	2010-09-08	swilliams		
9	None	2010-09-08	dbarrie		
10	Open	2010-07-14	KUlrich	S09-236	

085769CA
FG006-01
HE016
PU
PR007

June 25, 1982

MEMORANDUM FOR CRAIG FULLER

FROM: BECKY NORTON DUNLOP

SUBJECT: NEWS CLIP ON WOMENS GROUP FROM EM MANAGEMENT MEETING

As we were requested I have tracked down some details on the article on womens issues. The particular concern which Meese expressed was that the President had refused to meet with women despite repeated requests. Attached is a memorandum from Wendy Borcherdt dated June 1 which outlines the facts regarding such requests. The bottom line of her memo is that she has been asked to set up a meeting with the President, in turn she requested a tentative agenda for the meeting, this agenda has not been forthcoming. There have been a couple of individual requests for personal meetings with the President which have not occurred for the reasons outlined in her memorandum.

These women have now gone to Betty Heitman and she has requested a meeting with the President on their behalf. Of course, these women have never been supportive of Ronald Reagan and are opposing us on virtually every issue on the President's agenda.

If the President is to meet with women or women's groups, I would suggest that the White House go on the offensive and invite women who have been supportive of this President and women's groups who have been supportive of the President and his entire agenda.

Should you wish any further information on this, please let me know. Thank you.

Carl Karcher Enterprises
Corporate Headquarters
1200 North Harbor Boulevard
Mailing Address: P.O. Box 4349
Anaheim, California 92803
(714) 774-5796

TR 085777
4200
FG006-01
PR018
BE004
PR003

June 21, 1982

Mr. Craig Fuller
Assistant to the President
for Cabinet Affairs
The White House
Washington, D.C. 20550

Dear Craig,

I would like to again thank you for the time and efforts extended by you and Karen to make our recent trip to Washington so enjoyable and rewarding.

The tickets for the White House tour enabled us to see and share in the excitement of one of our historic national treasures. The additional and very unexpected opportunity was to meet you and Karen and to see the Cabinet Room, the Oval Office and the "working area" of the White House. We had no expectation that such an opportunity would be available. The entire trip to Washington was a fabulous experience for the entire family, but the time you shared out of your busy schedule was a highlight for us all.

The American Stock Exchange "Washington Conference" was "hard hitting" and very worthwhile. I have returned home with perhaps a more "conservative" assessment of the economic problems confronting us nationally. I strongly support what the Administration is trying to accomplish!

Thanks again for your hospitality.

Sincerely,

Loren Pannier

Loren Pannier

Enc.

REC'D. CA JUN 24 1982

'82 JUN 24 A11 :11

Carl Karcher Enterprises, Inc.
Annual Report 1982

Contents

To Our Shareholders

Three years ago we proudly noted in this letter that Carl Karcher Enterprises had achieved an important landmark—net sales in excess of one hundred million dollars. That goal was reached after thirty-seven years as a privately held company.

Now, only three years later, we have crossed another milestone. Sales in fiscal year 1982 reached a new high of $200,626,000. This is a 17% increase over 1981's revenue of $171,870,000. This growth in revenue is a result of new store openings, higher per store sales volumes, and price increases.

More importantly, net income reached a new high in spite of uncertain economic conditions and heavy competitive pressures. Net income increased 40% to $6,944,000, or $1.51 per share ($1.36 per share before the gain on sale of nine Taco de Carlos restaurants), as compared to the previous year of $4,957,000 and $1.20 per share. This earnings per share growth was achieved in spite of the issuance of approximately 1.2 million new shares in the third quarter of the fiscal year.

This was a year of many challenges. We cannot solve the national economic problems that impact our business. But we did move forward with plans to make the best of the realities confronting us. Some of the highlights of the year were:

- Introduction system-wide of our breakfast menu. As a new "day part," this was an opportunity to expand our business hours and to satisfy a growing consumer demand. We plan to increase the percentage of revenue derived from this program in the coming year.
- Introduction of a new Hearty Chicken Sandwich. Extremely well received by our customers, this product matches consumer requests for menu variety, nutrition and good taste. As part of CKE's ongoing program of new product development and testing, other new food items will be introduced in calendar 1982.
- Opening of 21 new Carl's Jr. restaurants. These additions increased the total to 303 Carl's Jr. restaurants now operating in California and Nevada. During the next fiscal year, we plan to open 35 more restaurants in California and Nevada.
- Increases in our average revenue per restaurant. An important measure of growth, revenues per restaurant at CKE increased 15.4% to a system-wide average of $662,800 per restaurant. The 21 new restaurants opened last year had significantly higher average annualized sales than the total system—averaging approximately $792,600 per restaurant.

Revenue and income in the first two quarters exceeded our plan. In the latter part of the third quarter, however, the rate of revenue increase slowed and that trend continued on through the fourth quarter. The spreading weakness in overall retail sales activity in the economy was one of the primary factors. Accordingly, earnings growth slowed somewhat in the last two quarters. However, our real growth (i.e. revenue gains excluding new restaurants open less than 12 months and price increases) increased approximately 2% for the year, while others in the industry experienced negative growth.

Several other major events occurred last year. First was management's decision to discontinue operations of the Taco de Carlos Division and to sell the 16 Mexican fast food restaurants. These restaurants had not provided the desired return on investment, and we believe would not likely do so in the foreseeable future. Nine of the 16 restaurants were sold by fiscal year end. The remaining seven restaurants will be sold in the first quarter of fiscal 1983.

Another significant event occurred on October 15th when Carl Karcher Enterprises became a publicly held company after 40 years in business. CKE issued approximately 1.2 million new shares, raising about 15 million dollars of new equity capital.

The initial public offering strengthens our financial foundation on which to build the future growth of the Company. Specifically, the new equity capital improves our senior debt to total capitalization ratio. Senior debt, represented primarily by capital lease obligations, has been reduced from approximately 61% to 44% of total capitalization.

This major step is part of a long-term commitment by management to the future of this company. The strengthening of the financial foundation builds on the forty-plus years of operating performance. It reaffirms our desire to chart our own course in the food service industry. This independence has been, and will continue to be, the cornerstone of our operating philosophy.


BREAKFAST IS SERVED.
California Roast Beef Sandwich
Carl's Famous Star
HEARTY CHICKEN SANDWICH


Carl's Jr.

Another major event was, after careful analysis, the decision to expand into the Arizona market during calendar 1983.

The size and scope of CKE operations are changing dramatically. But the basic values and philosophy of CKE will not change:

- Commitment to quality. We are always seeking ways to improve efficiency, but not if actions reduce the quality of our products.
- Financial conservatism. We are committed to maximizing return on shareholders' equity subject to prudent financial management. Long-term investment return will prevail over short-term expediency.
- Commitment to people. Qualified employees are essential to our continued success. We are committed to attracting, retaining, and motivating our thousands of employees to maximize their individual potential.
- Courage and caution. We are committed to long-term corporate growth. Growth that is ambitious, but also realistic. We will move into new markets beyond our existing territories, always being mindful of the potential risks of over-expansion.
- Commitment to the free enterprise system. We will maintain always our belief in a free country and an economic system that has allowed this company and so many others to grow and prosper.

In conclusion, we are cognizant of our added responsibilities to our new shareholders. We appreciate the confidence placed in us by those who have recently purchased shares in Carl Karcher Enterprises. We also recognize that there are many challenges to fulfill in the years to come. But we look forward to those challenges knowing that we are better equipped than ever before.

Sincerely,

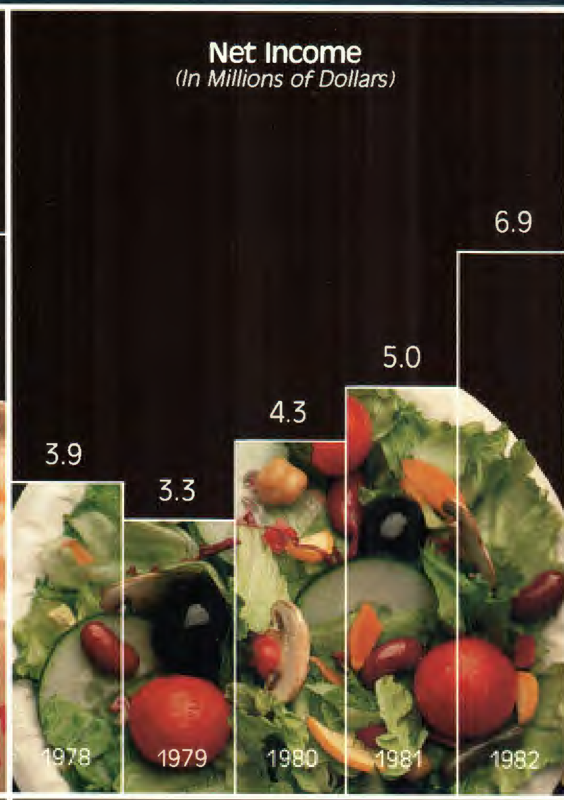
Carl Karcher

Carl N. Karcher
Chairman of the Board and Chief Executive Officer

Donald Karcher

Donald F. Karcher
President and Chief Operating Officer


Sales
(In Millions of Dollars)
80.6
107.9
138.6
171.9
200.6
1978
1979
1980
1981
1982


Net Income
(In Millions of Dollars)
3.9
3.3
4.3
5.0
6.9
1978
1979
1980
1981
1982


Shareholders' Equity
(In Millions of Dollars)
11.9
15.3
19.6
24.5
46.7
1978
1979
1980
1981
1982


Number of Restaurants
216
255
289
303
312
1978
1979
1980
1981
1982
Carl's Jr.

Selected Financial Data

(Dollars in thousands except per share amounts)

CARL KARCHER ENTERPRISES, INC.	Fiscal Year Ended January 1982	1981	1980	1979	1978
Operating data:					
Sales	$200,626	$171,870	$138,594	$107,882	$ 80,621
Costs and expenses	190,791	163,097	131,444	103,015	73,856
Income before income taxes	12,128	8,840	7,169	4,877	6,775
Net income	6,944	4,957	4,299	3,331	3,853
Net income per share of common stock *	1.51	1.20	1.04	.81	.93
Number of restaurants at end of period	312	303	289	255	216
Balance sheet data:					
Total assets	$ 99,306	$ 75,416	$ 68,695	$ 59,555	$ 39,506
Current assets	29,242	8,519	8,412	7,664	9,588
Current liabilities	15,686	12,195	11,385	8,864	10,988
Notes payable and capital lease obligations	36,027	37,784	36,785	34,669	16,056
Shareholders' equity	46,745	24,523	19,566	15,267	11,936

** All share and per-share amounts in this Annual Report have been adjusted to give effect to a 268-for-one stock split effective January 26, 1981 and a .65-for-one reverse stock split effective August 14, 1981.*

Stock Data

Shares of the Company's common stock are regularly quoted in the over-the-counter trading market and are listed on the NASDAQ quotation system (CARL).

Since the Company's initial public offering on October 15, 1981, the high and low bid price range for shares of the Company's stock were as listed below. Such prices represent quotations between dealers, but do not necessarily include markdowns or commissions.

	High	Low
Fiscal 1982:		
3rd Quarter*	14	12½
4th Quarter	11¼	8⅞

No dividends have been paid by the Company. The payment of dividends is restricted by the Company's loan agreement; however, included in retained earnings at January 29, 1982 is $9,966,000 which is unrestricted as to the payment of dividends. At January 29, 1982 there were 1,453 shareholders of record.

**Since initial public offering on October 15, 1981*

Quarterly Financial Data

(Dollars in thousands except per share amounts)

(Unaudited)	Sixteen Weeks Ended May 22, 1981	Twelve Weeks Ended August 14, 1981	Twelve Weeks Ended November 6, 1981	Twelve Weeks Ended January 29, 1982
Fiscal Year 1982				
Sales	$ 57,248	$ 48,643	$ 47,515	$ 47,220
Costs and expenses:				
Cost of sales	49,832	40,111	40,389	40,074
General and administrative expenses	4,468	3,939	3,435	4,110
Interest expense	1,077	1,049	1,064	1,243
	55,377	45,099	44,888	45,427
Other items of income:				
Gain on sale of Taco de Carlos restaurants				1,070
Interest income	43	135	262	783
	43	135	262	1,853
Income before income taxes	1,914	3,679	2,889	3,646
Provision for income taxes	842	1,652	1,323	1,367
Net income	$ 1,072	$ 2,027	$ 1,566	$ 2,279
Net income per share	$ .26	$ .48	$ .34	$ .41

	Sixteen Weeks Ended May 16, 1980	Twelve Weeks Ended August 8, 1980	Twelve Weeks Ended October 31, 1980	Thirteen Weeks Ended January 30, 1981
Fiscal Year 1981 *				
Sales	$ 47,255	$ 39,242	$ 41,290	$ 44,083
Costs and expenses:				
Cost of sales	41,152	32,594	34,710	37,795
General and administrative expenses	3,571	2,826	2,981	3,191
Interest expense	1,146	1,072	993	1,066
Interest income	15	9	19	24
	45,854	36,483	38,665	42,028
Income before income taxes	1,401	2,759	2,625	2,055
Provision for income taxes	615	1,210	1,160	898
Net income	$ 786	$ 1,549	$ 1,465	$ 1,157
Net income per share	$ .19	$ .37	$ .35	$ .28

** Beginning in fiscal 1982 certain costs were reclassified from general and administrative expenses to cost of sales to better reflect the Company's operating margins. Fiscal 1981 quarterly financial data has been reclassified to conform to the current year's classification.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

As an aid to understanding the Company's operating results, the following table shows the percentage of sales and percentage changes from period to period of certain items included in the Statement of Income for the three years ended January 1982.

	Percent of Sales			Period to Period Changes	
	Fiscal Year Ended				
	January 29, 1982	January 30, 1981	January 25, 1980	1982 vs. 1981	1981 vs. 1980
Sales	100.0%	100.0%	100.0%	16.7%	24.0%
Cost of sales	84.9	85.1	84.9	16.5	24.3
General and administrative expenses	8.0	7.3	7.0	26.9	30.3
Interest expense	2.2	2.5	2.9	3.6	4.5
Interest income	.6				
Gain on sale of Taco de Carlos restaurants	.5				
Income before income taxes	6.0	5.1	5.2	37.2	23.3
Provision for income taxes	2.5	2.2	2.1	33.5	35.3
Net income	3.5	2.9	3.1	40.1	15.3

The following table shows the principal components of cost of sales in the above table as a percentage of sales for the reported periods shown:

	Fiscal Year Ended January		
	1982	1981	1980
Food and beverages	35.6%	36.6%	37.4%
Direct labor and employee benefits	25.5	24.8	24.4
Other restaurant overhead	13.9	13.6	12.8
Facility and other costs	9.9	10.1	10.3
Total	84.9%	85.1%	84.9%

The Company's sales have increased in each of the last five fiscal years. Sales of over $200 million for fiscal 1982 are 2.5 times that of five years ago and reflect a 25.6% compounded annual growth rate over the five year period. This growth was a result of the opening of new restaurants, menu price increases and sales increases in excess of menu price increases ("real growth"). A 2.0% real growth for fiscal 1982 resulted primarily from the addition of a full breakfast menu and a chicken sandwich to most Carl's Jr. restaurants. Fiscal 1982 was the first year in which one of the Carl's Jr. restaurants generated over $1.5 million in sales.

Expenses have increased in each of the last five fiscal years, primarily as a result of opening new restaurants and the effects of inflation. Generally, menu prices are adjusted to compensate for increased costs and expenses. The percentage decrease in food and beverage costs during fiscal 1982 resulted primarily from selling prices having risen faster than meat prices. The percentage increases in direct labor and employee benefits each year were caused by annual increases in the Federal minimum wage and higher employee benefits costs. The percentage increases in other unit overhead expense resulted primarily from rapid increases in utility rates and increased maintenance and repair expenses.

Approximately one-half of general and administrative expenses consists of marketing and promotional expenses. The percentage increase in general and administrative expenses for fiscal 1982 over the prior year is primarily attributable to compensation expense arising from the grant of stock options under the Company's stock option plan and increased expenses related to accruals for workers' compensation and vacation expenses.

Substantially all interest expense is related to the accounting for capital leases.

Liquidity and Capital Resources

The Company's principal sources of liquidity are sales, which are received in cash, and two revolving lines of credit with banks totaling $10,000,000. Cash generated from operations, prepayments from investors under the Company's restaurant sale and leaseback program and the proceeds from the Company's initial public offering created extra cash available for investment in fiscal 1982. At January 29, 1982 the Company had time certificates of deposit of $17,831,000, and no borrowings under its available lines of credit.

Because companies in the restaurant industry do not have significant receivables or inventory and receive trade credit in purchasing food and supplies, they often operate with "working capital deficits," where current liabilities exceed current assets. The Company's balance sheet, which was satisfactory by restaurant industry standards, was significantly strengthened by the initial public offering of 1.2 million shares of common stock in October 1981. The Company's current ratio at January 29, 1982 was 1.9:1 as compared to .7:1 at January 30, 1981.

The Company's need for capital resources arises almost entirely from the addition of new restaurants and occasionally commissary equipment. The Company currently plans to open 35 new units over the next 12 months. The Company intends to use cash generated from operations, the Company's sale and leaseback financing program, other real estate financings and the proceeds from the public offering to purchase equipment for new restaurants and the land and buildings for 25% or more of selected new restaurants. The ownership of land and buildings at some locations will reduce the Company's dependence on sale-leaseback financing, which has been the primary method of financing new restaurants in the past, and will aid in stabilizing future occupancy costs.

A significant portion of the proceeds from the Company's initial public offering in October 1981 was invested in short-term, interest bearing securities, resulting in interest income of approximately $.6 million in the 4th quarter of fiscal 1982. As further discussed in Note 3 of Notes to Financial Statements, the Company sold nine of its Taco de Carlos restaurants during fiscal 1982 for a pretax gain of approximately $1 million.

Impact of Inflation

Inflation in food, labor, and construction costs can significantly affect the Company's operations. Many of the Company's employees are paid hourly rates related to the Federal minimum wage. Accordingly, inflation-related annual increases in the minimum wage have increased the Company's costs each year. Currently, there is no scheduled increase in the Federal minimum wage. High interest rates and construction costs increase the rental rates of new restaurants opened each year. Also, most of the Company's present leases contain provisions, typical in the industry, that require increased rentals as sales increase (whether the sales increases result from increased selling prices to pass on increased operating costs, or "real growth").


Carl's Jr.
CRISPIRITO
Carl's Jr.

Balance Sheets

(Dollars in thousands)

CARL KARCHER ENTERPRISES, INC.	January 29, 1982	January 30, 1981	January 25, 1980
Assets			
Current assets:			
Cash	$ 334	$ 805	$ 2,481
Time certificates of deposit	17,831		
Accounts receivable	424	452	208
Inventories	4,605	4,709	3,425
Prepaid expenses	1,917	1,555	1,236
Restaurant property costs to be reimbursed or sold and leased back, net of advances from investors of $219, $317, and $237	4,131	998	1,062
Total current assets	29,242	8,519	8,412
Property and equipment, net	36,957	32,874	29,386
Leased property under capital leases, net	31,420	32,791	30,155
Other assets	1,687	1,232	742
	$ 99,306	$ 75,416	$ 68,695
Liabilities and Shareholders' Equity			
Current liabilities:			
Current portion of notes payable	$ 85	$ 71	$ 80
Current portion of capital lease obligations	677	612	514
Accounts payable	6,535	4,345	4,038
Salaries, wages and other accrued liabilities	7,081	5,783	5,101
Income taxes payable	1,308	1,384	1,652
Total current liabilities	15,686	12,195	11,385
Notes payable	278	1,670	4,342
Capital lease obligations	35,749	36,114	32,443
Deferred income taxes	848	914	959
Shareholders' equity:			
Preferred stock, no par value; authorized 2,000,000 shares; none issued or outstanding			
Common stock, no par value; authorized 15,000,000 shares; issued and outstanding 5,597,263, 4,136,738 and 4,136,738 shares	16,630	250	250
Retained earnings	31,217	24,273	19,316
Notes receivable from the sale of stock under stock option plan	(1,102)		
Total shareholders' equity	46,745	24,523	19,566
Commitments and contingencies (Note 11)			
	$ 99,306	$ 75,416	$ 68,695

See accompanying Notes to Financial Statements.

Statements of Income

(Dollars in thousands except per share amounts)

CARL KARCHER ENTERPRISES, INC.	Fiscal Year Ended January 29, 1982	January 30, 1981*	January 25, 1980*
Sales	$200,626	$171,870	$138,594
Costs and expenses:			
Cost of sales	170,406	146,251	117,706
General and administrative expenses	15,952	12,569	9,644
Interest expense	4,433	4,277	4,094
	190,791	163,097	131,444
Other items of income:			
Gain on sale of Taco de Carlos restaurants (Note 3)	1,070		
Interest income	1,223	67	19
	2,293	67	19
Income before income taxes	12,128	8,840	7,169
Provision for income taxes	5,184	3,883	2,870
Net income	$ 6,944	$ 4,957	$ 4,299
Net income per share of common stock	$ 1.51	$ 1.20	$ 1.04

*Beginning in fiscal 1982 certain costs were reclassified from general and administrative expenses to cost of sales to better reflect the Company's operating margins. Prior years' amounts have been reclassified to conform to the current year's classification.

Statement of Shareholders' Equity

(Dollars in thousands)

CARL KARCHER ENTERPRISES, INC.	Common Stock Number of Shares	Amount	Retained Earnings	Notes Receivable	Total Shareholders' Equity
Balance at January 26, 1979	4,136,738	$ 250	$ 15,017	$	$ 15,267
Net income for the year			4,299		4,299
Balance at January 25, 1980	4,136,738	250	19,316		19,566
Net income for the year			4,957		4,957
Balance at January 30, 1981	4,136,738	250	24,273		24,523
Issuance of common stock	1,211,313	14,850			14,850
Exercise of stock options	251,243	1,542		(1,112)	430
Repurchase of common stock issued under stock options	(2,031)	(12)		10	(2)
Net income for the year			6,944		6,944
Balance at January 29, 1982	5,597,263	$ 16,630	$ 31,217	($ 1,102)	$ 46,745

See accompanying Notes to Financial Statements.

Statements of Changes in Financial Position

(Dollars in thousands)

CARL KARCHER ENTERPRISES, INC.	Fiscal Year Ended January 29, 1982	January 30, 1981	January 25, 1980
Financial resources were provided by:			
Net income	$ 6,944	$ 4,957	$ 4,299
Add (deduct) amounts not affecting working capital:			
Depreciation and amortization	7,649	6,540	5,105
Deferred income taxes	(66)	(45)	204
Gain on sale of Taco de Carlos restaurants, net of income taxes	(714)		
Working capital provided by operations	13,813	11,452	9,608
Exercise of stock options	428		
Proceeds from sale of common stock	14,850		
Proceeds from sale of Taco de Carlos restaurants, net of income taxes	1,309		
Proceeds from loans on officers' life insurance policies	177	200	161
Reduction in long-term notes receivable		4	16
Leased property under capital leases disposed of or retired	942		
Property and equipment disposed of or retired	289	162	310
Additions to capital lease obligations	1,381	4,182	3,429
	33,189	16,000	13,524
Financial resources were used for:			
Purchases of property and equipment	10,800	8,514	10,079
Additions to leased property under capital leases	1,387	4,312	3,524
Increase in other assets	165	281	141
Increase in cash surrender value of officers' life insurance	467	413	240
Reduction of notes payable	1,392	2,672	1,081
Reduction of capital lease obligations	1,746	511	232
	15,957	16,703	15,297
Increase (decrease) in working capital	$ 17,232	($ 703)	($ 1,773)
Changes in Components of Working Capital:			
Increase (decrease) in current assets:			
Cash	($ 471)	($ 1,676)	$ 877
Time certificates of deposit	17,831		
Accounts receivable	(28)	244	98
Income tax refundable			(831)
Inventories	(104)	1,284	679
Prepaid expenses	362	319	(206)
Restaurant property costs to be reimbursed or sold and leased back	3,133	(64)	131
	20,723	107	748
(Increase) decrease in current liabilities:			
Current portion of notes payable	(14)	9	(11)
Current portion of capital lease obligations	(65)	(98)	(108)
Accounts payable	(2,190)	(307)	251
Salaries, wages and other accrued liabilities	(1,298)	(682)	(1,001)
Income taxes payable	76	268	(1,652)
	(3,491)	(810)	(2,521)
Increase (decrease) in working capital	$ 17,232	($ 703)	($ 1,773)

See accompanying Notes to Financial Statements

Notes to Financial Statements

Note 1—Summary of Significant Accounting Policies

The Company operates approximately 300 family restaurants in California and Nevada. A summary of its significant accounting policies is set forth below.

Accounting Period

The Company's accounting period is on a 52-53 week reporting basis. Under this method, certain years will include 53 weeks of operations as opposed to 52 weeks. The years ended January 29, 1982, January 30, 1981, and January 25, 1980 consist of 52 weeks, 53 weeks and 52 weeks of operations, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method of inventory valuation.

Property and Equipment

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their estimated useful lives or the period of the lease. Substantially all operating equipment is owned by the Company, with land and buildings leased under long-term leases.

Major renewals and betterments of fixed assets are charged to the property accounts, while the cost of maintenance and repairs is charged to expense as incurred. At the time properties are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is credited or charged to operations.

Income taxes

The provision for income taxes is computed on income reported in the financial statements. Items of income and expense for financial reporting purposes differ in some respects from those allowable for income tax purposes. The provision for income taxes reflects the tax effect of timing differences between financial reporting and taxable income.

Investment tax credits are accounted for by the "flow through" method, whereby the benefit is recognized in the year in which the credit is realized for tax purposes.

Net Income Per Share

The computation of net income per share of common stock is based on the weighted average number of shares outstanding during the year. Weighted average shares outstanding were 4,610,525 in fiscal 1982 and 4,136,738 in fiscal 1981 and fiscal 1980.

Note 2—Capital Leases

In fiscal 1978 the Company changed its method of accounting for leases to comply with provisions of Financial Accounting Standards Board Statement No. 13, "Accounting for Leases" ("the Statement"). The Statement required that leases entered into after December 31, 1976 meeting certain criteria be recorded as capital leases. Leases entered into prior to January 1, 1977 which met the criteria of capital leases under the provisions of the Statement were not required to be accounted for as capital leases until fiscal 1982 and, accordingly, had not previously been accounted for as capital leases.

Effective January 31, 1981 (the beginning of fiscal 1982), the Company retroactively applied the requirements of the Statement for leases entered into prior to January 1, 1977 meeting the criteria of capital leases and, accordingly, has restated its financial statements to reflect this accounting treatment. As a result of this restatement, net income as previously reported decreased $94,000, $134,000 and $127,000 for the years ended January 30, 1981, January 25, 1980 and January 26, 1979, respectively.

Capital leases represent the building portion of leases for the Company's corporate headquarters, distribution facility and certain restaurant properties. The land portion of such leases are accounted for as operating leases. Accumulated amortization on capital leases for the years ended January 29, 1982, January 30, 1981, and January 25, 1980, is $7,620,000, $6,026,000 and $4,376,000, respectively.

Minimum lease payments under capital leases and the present value of minimum lease payments at January 29, 1982 are as follows:

1983	$ 4,700,000
1984	4,769,000
1985	4,769,000
1986	4,772,000
1987	4,781,000
Later years	63,945,000
	87,736,000
Less: Amount representing interest	(51,310,000)
Present value of minimum lease payments	36,426,000
Less: Current portion	(677,000)
	$35,749,000

Certain restaurant property leases provide for percentage rentals based upon sales of the related restaurants in excess of minimum rentals stipulated in the lease agreements and require the Company to pay insurance and taxes on the leased property. The percentage rent paid during the three years in the period ended January 29, 1982 is included as contingent rentals paid under noncancelable operating leases (see Note 11). The Company has the option to renew certain leases for periods from 5 to 15 years.

Note 3 — Sale of Taco de Carlos Restaurants

On December 4, 1981 the Company entered into a definitive agreement with another company to sell 12 of its 16 Taco de Carlos (TDC) restaurants to that company for a cash purchase price of $2,220,000. Nine of the TDC restaurants were sold under this agreement prior to fiscal year-end for a gain of approximately $714,000, after applicable income taxes. The gain increased net income for fiscal 1982 by $.15 per share.

Subsequent to January 29, 1982 the Company sold two of the other three TDC restaurants under the above-noted agreement and, in addition, sold the remaining four TDC restaurants to other buyers. The gain resulting from the sales of these TDC restaurants was approximately $320,000, after applicable income taxes.

Note 4 — Composition of Certain Financial Statement Captions

Property and equipment is comprised of the following:

	January 29, 1982	January 30, 1981	January 25, 1980	Depreciable Lives
Leasehold improvements	$15,548,000	$12,797,000	$10,143,000	4 to 25 years
Buildings and improvements	1,237,000	1,237,000	1,237,000	7 to 20 years
Equipment, furniture and fixtures	41,142,000	34,823,000	29,503,000	3 to 10 years
	57,927,000	48,857,000	40,883,000	
Less: Accumulated depreciation and amortization	(20,970,000)	(15,983,000)	(11,497,000)	
	$36,957,000	$32,874,000	$29,386,000	

Salaries, wages and other accrued liabilities is comprised of the following:

	January 29, 1982	January 30, 1981	January 25, 1980
Salaries and wages	$ 3,328,000	$ 3,045,000	$ 2,984,000
Sales tax payable	2,242,000	1,962,000	1,526,000
Other accrued liabilities	1,511,000	776,000	591,000
	$ 7,081,000	$ 5,783,000	$ 5,101,000

Note 5 — Income Taxes

The provision for income taxes includes the following:

	Fiscal Year Ended January 29, 1982	January 30, 1981	January 25, 1980
Current:			
Federal	$ 4,183,000	$ 3,161,000	$ 2,165,000
State	1,228,000	868,000	621,000
	5,411,000	4,029,000	2,786,000
Deferred:			
Federal	(186,000)	(162,000)	28,000
State	(41,000)	16,000	56,000
	(227,000)	(146,000)	84,000
Total	$ 5,184,000	$ 3,883,000	$ 2,870,000

The total tax provision differs from the amount computed by applying the statutory Federal income tax rate to income before income taxes as follows:

Provision for Federal income taxes at the applicable statutory rate	$ 5,579,000	$ 4,066,000	$ 3,298,000
Increase (decrease) in provision resulting from:			
Investment tax credits	(903,000)	(736,000)	(780,000)
Targeted jobs tax credits	(41,000)		
State income taxes, net of Federal income tax benefit	663,000	477,000	366,000
Other, net	(114,000)	76,000	(14,000)
	$ 5,184,000	$ 3,883,000	$ 2,870,000

Deferred income taxes result from timing differences in the recognition of income and expenses for tax and accounting purposes. The major sources of those differences and the tax effects of each are as follows:

Tax depreciation in excess of book depreciation	$ 722,000	$ 661,000	$ 746,000
Capital lease expense for financial reporting purposes in excess of lease rental payments	(595,000)	(653,000)	(572,000)
State income taxes	(171,000)	(121,000)	(120,000)
Accrual for compensated absences	(142,000)		
Other, net	(41,000)	(33,000)	30,000
	($ 227,000)	($ 146,000)	$ 84,000

Note 6 — Long-term Debt

Notes payable are summarized as follows:

	January 29, 1982	January 30, 1981	January 25, 1980
Unsecured note payable to bank, as described below	$ —	$ 1,400,000	$ 4,000,000
Note payable to a private trust, unsecured, 7%, payable monthly through 1984	159,000	216,000	271,000
Other	204,000	125,000	151,000
	363,000	1,741,000	4,422,000
Less: Current portion	(85,000)	(71,000)	(80,000)
	$ 278,000	$ 1,670,000	$ 4,342,000

The Company has two bank lines of credit for working capital and/or fixed asset acquisitions. One line of credit is for $7,000,000, bears interest at 105% of the bank's prime rate and expires on June 30, 1984. The other line of credit is for $3,000,000, bears interest at 105% of the bank's prime rate and expires on May 31, 1982.

During fiscal 1982 and in prior years, the $3,000,000 line also required the Company to maintain a compensating demand account balance of a minimum of $50,000. In March 1982 the compensating balance requirement was removed from the credit agreement.

Under terms of the line of credit agreements, the Company must comply with various covenants which include maintaining a ratio of current assets to current liabilities of 70% or greater, a net worth to debt ratio of 37% or greater and a minimum net worth of $20,000,000. The Company was in compliance with these covenants at January 29, 1982.

Note 7—Profit Sharing Plan

The Company has a noncontributory employee profit sharing plan for all eligible employees. The annual contribution is determined at the discretion of the Company's Board of Directors and amounted to $350,000, $300,000, and $260,000 for the years ended January 29, 1982, January 30, 1981, and January 25, 1980, respectively.

Note 8—Stock Option Plan

On January 28, 1981 the shareholders of the Company approved a Stock Option Plan ("Plan") whereby options to purchase a maximum of 413,400 shares of the Company's common stock were available for grant to key employees and directors. In April 1981 options to purchase an aggregate of 253,883 shares of common stock were granted to 75 individuals at an exercise price of $4.92 per share; such exercise price being equal to 100% of the Company's net book value per share at January 25, 1980 (prior to restatement for capital leases).

Substantially all of the options granted were exercised shortly after grant, and the Company does not intend to grant additional options under this Plan. The purchase price on exercised options was paid with a 10% cash downpayment and a 9% personal note for the balance, secured by the shares purchased. The principal balances of the notes are to be repaid in four equal annual installments, plus accrued interest, commencing one year from the date of exercise. Compensation expense of $507,000 was recognized during fiscal 1982 in connection with the exercise of the options.

As of January 31, 1982 options to purchase 251,243 shares of common stock had been exercised, and options to purchase 2,640 shares of common stock were outstanding.

Note 9—Common Stock

In January 1981 the Company's authorized common stock was increased from 75,000 to 15,000,000 shares and a 268-for-one stock split was effected.

In August 1981 the Company effected a .65-for-one reverse stock split.

All share and per share data in the financial statements give retroactive effect to these stock splits.

Note 10—Transactions with Carl N. Karcher

The Company leases various properties, including the Company's corporate headquarters and distribution facility, from Carl N. Karcher, Chairman of the Board and majority shareholder of the Company. Lease payments made to Mr. Karcher for the years ended January 29, 1982, January 30, 1981, and January 25, 1980, amounted to $1,408,000, $1,295,000, and $1,239,000, respectively.

Included in capital lease obligations is $8,454,000 representing the present value of lease obligations due to Mr. Karcher at January 29, 1982.

The Company is a signatory with Mr. Karcher on a promissory note agreement with an insurance company. The note is payable monthly through March 1993, bears interest at 9¼% and is primarily secured by leased property under capital leases with a net book value of $4,963,000 at January 29, 1982. Under the agreement, the Company is limited as to the incurrence of additional debt and leases, and the payment of dividends, and is required to maintain a ratio of current assets to current liabilities of 80% or greater. The Company was in compliance with these requirements at January 29, 1982.

The Company has purchased key-man life insurance policies on the lives of Mr. Karcher and his wife. Coverage under these policies approximates $12,955,000. A trust, for which Mr. Karcher is trustee, is the beneficiary on a policy with $1,000,000 in coverage and the Company is the beneficiary on the remaining policies. Premiums and interest on policy loans amounted to $312,000, $218,000, and $99,000 for the years ended January 29, 1982, January 30, 1981, and January 25, 1980, respectively.

During fiscal 1982 the Board of Directors voted to enter into an agreement with Mr. Karcher providing that in the event of his death, the Company would pay $1.5 million to Mr. Karcher's designated beneficiary. In connection with this death benefit agreement, the Company was authorized to purchase an additional amount of life insurance up to $1.5 million on the life of Mr. Karcher, with the Company as the named beneficiary on this policy.

Note 11—Commitments and Contingencies

The Company's minimum commitments under all noncancelable operating leases at January 29, 1982 are as follows:

1983	$ 8,848,000
1984	8,796,000
1985	8,776,000
1986	8,766,000
1987	8,424,000
Later years	85,856,000
Total minimum rental commitments	$129,466,000

Aggregate rent paid under noncancelable operating leases is as follows:

	Fiscal Year Ended January 29, 1982	January 30, 1981	January 25, 1980
Minimum rentals	$8,853,000	$7,916,000	$6,408,000
Contingent rentals	818,000	395,000	262,000
Total	$9,671,000	$8,311,000	$6,670,000

The Company presently self-insures for group insurance, workers' compensation, and fire and comprehensive protection on most equipment and certain other assets. In the opinion of management, past experience plus the wide dispersion of restaurants indicates that the Company is assuming a minimal risk and, if any loss should occur, it would not have a material effect on the Company's financial position or results of operations.

Report of Independent Accountants

To the Board of Directors and Shareholders of Carl Karcher Enterprises, Inc.:

In our opinion, the accompanying balance sheets and the related statements of income, shareholders' equity and changes in financial position present fairly the financial position of Carl Karcher Enterprises, Inc. at January 29, 1982, January 30, 1981 and January 25, 1980, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

April 9, 1982
Newport Beach, California

Corporate Information

Officers
Carl N. Karcher,
Chairman of the Board and
Chief Executive Officer

Donald F. Karcher,
President & Chief Operating Officer

Bernard W. Karcher,
Senior Vice President—
Property Development

Loren C. Pannier,
Senior Vice President—Finance

Gary L. Wiles,
Senior Vice President—
Operations and Marketing

George R. Cloward,
Vice President—Corporate Controller

Carl L. Karcher,
Vice President—
Manufacturing & Distribution Center

Steve A. Larson,
Vice President—Operations

Paul J. Mitchell,
Vice President—Marketing

Alvin A. Penhall,
Vice President—Construction

Daniel W. Holden,
Secretary

Margaret M. Karcher,
Assistant Secretary

Directors
Carl N. Karcher,
Chairman of the Board

Margaret M. Karcher,
Assistant Secretary

Donald F. Karcher,
President & Chief Operating Officer

Daniel W. Holden,
Attorney
Daniel W. Holden,
a Professional Corporation

Peter Churm,
Chairman of the Board,
The Fluorocarbon Company

Kenneth Olsen,
President & Chief Executive Officer,
Von's Grocery Company

Independent Accountants
Price Waterhouse
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Newport Beach, California 92660

General Counsel
Daniel W. Holden,
a Professional Corporation
Anaheim, California

SEC Counsel
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515 South Flower Street
Los Angeles, California 90071

Bank
First Interstate Bank
Los Angeles, California

Registrar and Transfer Agent
Corporate Trust Department
First Interstate Bank
707 Wilshire Boulevard
Los Angeles, California 90017

FORM 10-K
A copy of the Company's Form 10-K annual report filed with the SEC is available upon request. Please direct your written request to the Senior Vice President-Finance, at the corporate address for a copy of such report.

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