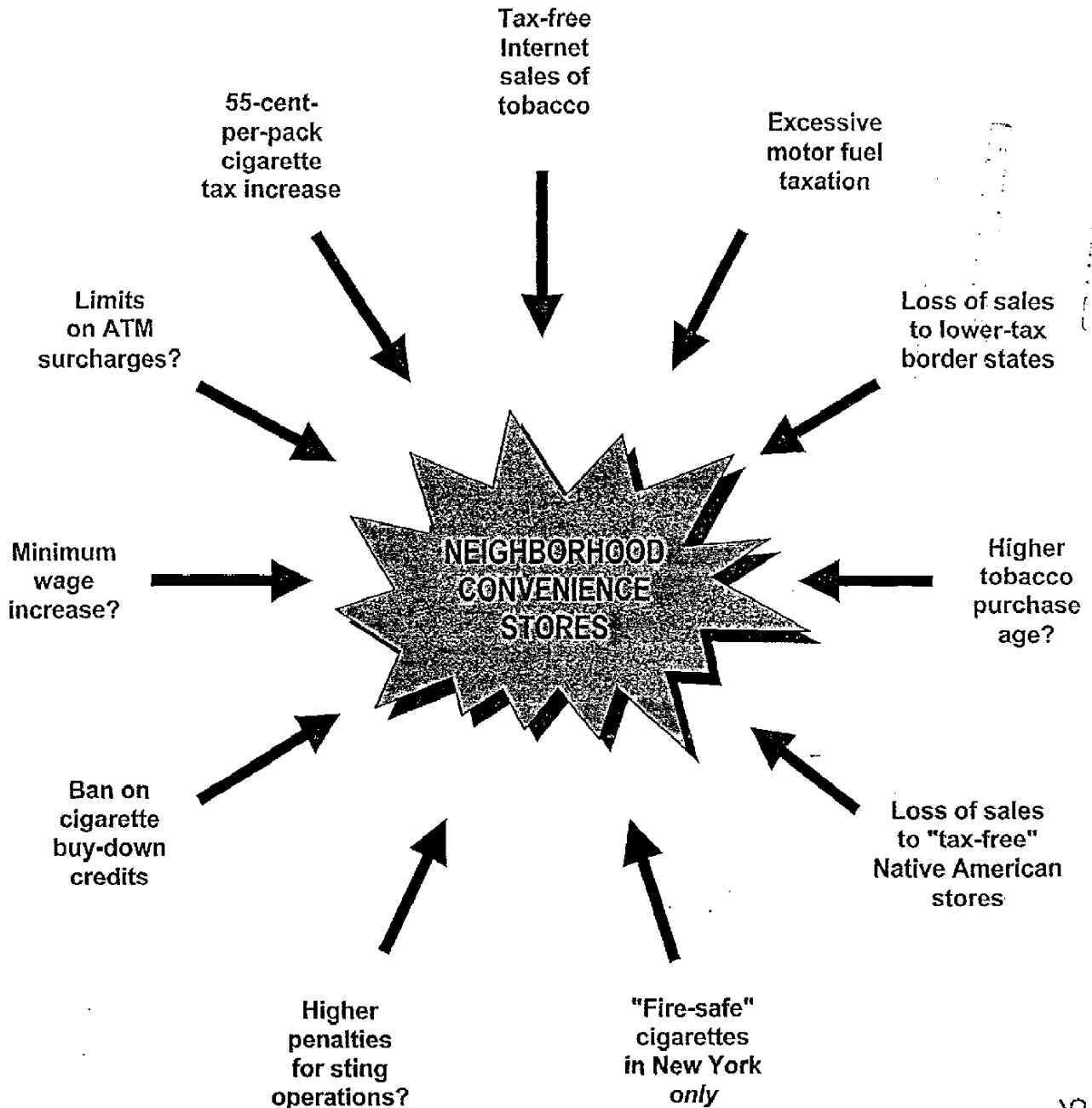


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Exhibit 1

UNDER ATTACK

From all sides, New York convenience stores are facing a crippling barrage of tax and regulatory policies



A SPECIAL REPORT FROM THE NEW YORK ASSOCIATION OF CONVENIENCE STORES

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Minimum Wage:

An increase would trigger job losses, inflation

The labor shortage already has prompted many convenience stores to offer higher wages in order to attract and retain qualified workers. Losing an employee to a higher-paying job is an everyday occurrence. That's the law of supply and demand, and we accept it. Market forces should determine wage levels, not government.

A bill, A.10080, introduced by Assembly Labor Committee Chairwoman Catherine Nolan, would, if adopted by the full Legislature, increase the minimum wage – and hence, the entire pay scale – to \$6.75 per hour on January 1, 2000 (a 31% increase), and adjust it annually thereafter to the average wage in New York State.

Convenience stores and other small businesses would have two options for recovering the higher labor costs – raise

prices proportionately, triggering a round of inflation which would stifle economic recovery; or cut staff, which would mean fewer job opportunities for those the bill is ostensibly designed to help.

Politicians claim the federal minimum wage of \$5.15 an hour is insufficient to support a family. That is valid only if it assumed that this wage is the family's sole means of support. We respectfully challenge that assumption. In our industry, minimum wage earners typically are not the primary breadwinner. The vast majority are teenagers, retired persons, or parents who choose to work part-time to *supplement* their household income.

In the interests of controlling inflation, encouraging job growth, and sustaining economic progress, NYACS opposes an increase in the minimum wage.

Cigarette Buy-Downs:

Sudden, ill-timed Tax Dept. action creates retail turmoil

Only days after the state's March 1st cigarette tax hike punched convenience stores in the gut, the state Department of Taxation and Finance followed with a right uppercut to the chin, effectively outlawing the long-standing practice of using buy-down credits to reduce retail cigarette prices below the published state minimum.

The Department maintains that under the state's 1985 Cigarette Marketing Standards Act, your store may use buy-downs to lower your price below state minimum only if these two conditions are met:

- The buy-down credit is shown on the invoice from your supplier (typically the credit isn't paid until later on as a reward for achieving sales performance); and
- The buy-down promotion is being offered by the manufacturer to all retailers within a given geographic area, regardless of contract or volume.

Tax & Finance field personnel have been visiting stores statewide, in many cases directing the retailer to bring prices up to state minimum.

Why the Department suddenly made this a top enforcement priority after allowing the common practice to exist for many years remains a mystery. Regardless, they are enforcing it. If Tax & Finance visits your store, cooperate. Do not expose your business to criminal or civil penalties. In the meantime, stay in close contact with your tobacco company sales representative and your distributor, and let your state legislators know how this action is affecting your business.

Higher Tobacco Purchase Age, Fire-Safe Cigarette Standards: 2 more competitive disadvantages

The Senate Health Committee has approved bill (S.4868) to raise from 18 to 21 the legal purchase age for tobacco. It has not yet been voted on by the full Senate.

Meanwhile, the Assembly and Senate have sent Gov. Pataki a bill that would require cigarettes sold in New York to meet fire safe standards by 2002.

While we support the goals of preventing youth smoking and preventing fires, NYACS opposes enactment of these bills because they saddle legitimate retailers with further competitive disadvantages.

Artificial price disparities created by the 3/1/00 cigarette tax hike are already driving alarming numbers of customers away from our stores to tax-free Native American reservations and internet sites as well as cross-border outlets. Making New York more restrictive than surrounding states in purchase age and cigarette composition will only accelerate this phenomenon.

Half of New York's population resides within 30 miles of a state with a purchase age of 18 or an Indian reservation where our State makes no effort to enforce the purchase age. The wall blocking open access to tobacco would be made of Swiss cheese. And adult smokers who perceive "fire safe" cigarettes as inferior will actively seek out those alternate sources of the original unaltered product.

The net result: Mom and Pop stores lose more business, the State loses more tax revenue, and the social purposes behind the new laws are defeated.

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NYACS: 'Restore a level playing field'

NYACS Chairman-elect Robert Newman of NOCO Express Shops and NYACS President James Calvin conducted a press conference on March 22, 2000 in Buffalo to report the severe impacts of unfair state tax policies on convenience stores.

The message: The State of New York must restore a level playing field for all retailers. Until it is prepared to do so, the March 1st cigarette tax increase must be repealed, and state taxes on motor fuels must be eliminated, if the convenience store industry is to survive.

"Quite honestly, the situation for a lot of Mom-and-Pops is very grim," they said. "Motor fuel and tobacco – our two biggest product categories, accounting for as much as two-thirds of the total sales volume of the average convenience store – are under siege.

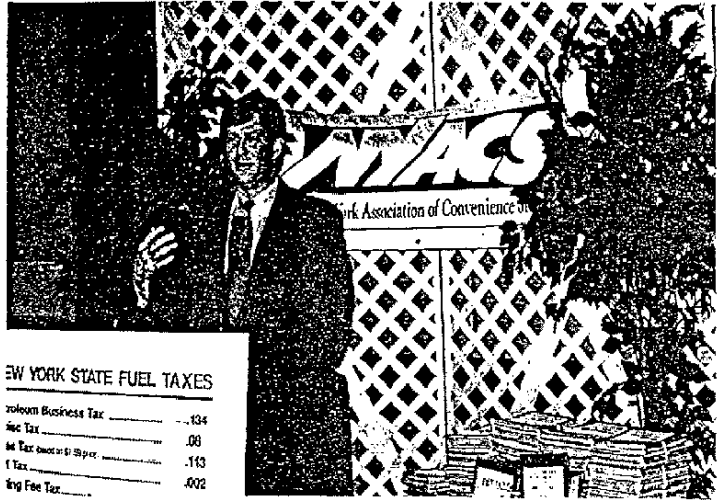
"C-stores traditionally have relied on the responsible sale of legal tobacco products to adult customers for 25 to 35 percent of their in-store sales volume. Throughout the 1990s, especially here in Western New York, they have faced a competitive price disadvantage because of a State policy allowing Native American competitors to ignore the state excise tax on cigarettes sold to non-Native Americans.

"Then, in December, over our strenuous objections, the Legislature and Governor Pataki approved Health Care Reform Act 2000, which raised that tax from 55 cents a pack to \$1.11, highest in the nation, effective March 1st of this year. This made an uneven playing field ridiculously lopsided.

"As a result, our member retailers are now reporting drop-offs of 30 to 50 percent in cigarette sales, not counting the loss of related purchases those cigarette customers used to make. Meanwhile, business at tax-free outlets is flourishing. Statewide, we estimate this phenomenon will drive \$750 million to \$1 billion a year in sales away from our legitimate, tax-paying small businesses.

"If the universe of smokers were to gradually shrink – if thousands of people quit smoking because the higher tax made it too expensive – our stores could and would adapt. But that's not what is happening here. Rather than quitting, smokers are simply detouring to reservations, Internet sites and border states to avoid paying the higher tax. It's the Great New York Tax Evasion Stampede. Guess who's getting trampled?

"On the motor fuel side, a similar competitive price disadvantage – also rooted in State tax policy – has existed for many years. Gas tax rates have not increased, but prices surely have, making motorists more price-sensitive, making



Robert Newman speaks at NYACS press conference.

tax-free pumps at reservations more attractive. That's draining gas volume away from our stores.

"We harbor no ill will toward Native American retailers. We respect their sovereignty. We respect their right to operate commercial enterprises. Our gripe is with our State Government, which allows some to enjoy the fruits of conducting commerce without accepting the responsibilities all others are required to adhere to under penalty of law. It is unfair and undemocratic.

"We are now engaging our customers in a grassroots educational campaign. We have invited them to protest the cigarette tax increase using these response cards. To date, they have sent in nearly 5,000 cards, and they are still flowing in. We will present them to Governor Pataki and the Legislature to show that this issue is on the minds of voters in this election year."

There are signs elected officials are beginning to recognize the disaster they have created. First, Senate Republicans are recommending in their budget proposal that the U.S. Supreme Court-approved "Attea regulations" prescribing the collection of New York State taxes on sales by Native American tribes to non-Native Americans be enacted into law.

Second, the Governor and legislative sponsors propose to prohibit Internet sales of tobacco, another concept which NYACS supports, in order to stop tax evasion and sales to minors. Third, several proposals have emerged to temporarily suspend, or permanently eliminate, state taxes on motor fuels. NYACS supports removing these taxes, in order to provide relief to our customers and restore balance to the motor fuel marketplace.

It remains to be seen whether any of these measures will be enacted in time to save the Mom and Pop convenience store, which asks only for the chance to compete fairly for retail trade.

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What you can do:

Contact your state legislators and tell them you:

- ♦ Want a level playing field for all retailers
- ♦ Oppose tax and regulatory policies give you a competitive disadvantage
- ♦ Support enacting the Attea regulations into law
- ♦ Support banning Internet sales of tobacco
- ♦ Oppose any increase in the minimum wage

Contribute:

- ♦ To the NYACS Legal Fund, to support efforts to restore a healthy marketplace for all retailers through litigation and/or legislation.
- ♦ To Convenience PAC, the political action committee through which NYACS supports candidates for office who demonstrate an understanding of convenience store industry issues.

Educate and inform:

- ♦ Your customers. Let them know how tax and regulatory issues that affect you also affect them.
- ♦ Your employees. Their jobs are at stake.
- ♦ Your community. Through the media, community groups, or just word of mouth, make your concerns known to others.

Did you know?

- ☑ Convenience stores range from a rural "general store" to a gas-and-go mini-mart at a busy suburban intersection to a corner store in an inner-city neighborhood.
- ☑ The New York Association of Convenience Stores is a private, not-for-profit trade association representing nearly 4,000 retail locations from Hamburg to Hempstead.
- ☑ Seventy-five percent of NYACS member retail companies are single-store, independent operators.
- ☑ The typical C-store relies on the responsible sale of legal tobacco products to adult customers for 25% to 35% of its in-store sales volume.

Can somebody please explain why...

...State legislators were so concerned about losing tax revenue from New Yorkers traveling out-of-state to buy clothes that they permanently lifted the state sales tax on clothing, yet they passed a 98% tax increase on cigarettes that will cause far greater losses in tax revenue from New Yorkers crossing state borders to buy smokes?

...When they approved the cigarette tax hike in December, they mysteriously tacked on an extra "handling fee" of 2¢ per pack to be paid by retailers to their distributor?

...The March 1st excise tax hike – hailed as essential to reducing tobacco use and funding health care programs – applies only to cigarettes, and not to cigars or smokeless tobacco?

...The State claims to support small business, yet under the Cigarette Marketing Standards Act, it mandates that retailers with 1 to 14 stores pay higher wholesale prices for cigarettes than chains with 15 stores or more?

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