

Case No. EZA 7-81 - Thurman Smith,  
10300 West Central requests an exception  
to permit the establishment of a day  
care center on property zoned "A" Two-  
family Dwelling District and generally  
located on the northwest corner of  
Thurman and Robin Road.

*PAID  
3-6-81*

**ACTION**

DATE

3-24-81

APPROVED

*B.C.C.  
1-81*

COMMITTEE

M.A.P.C.

B.C.C./B. CO. C.

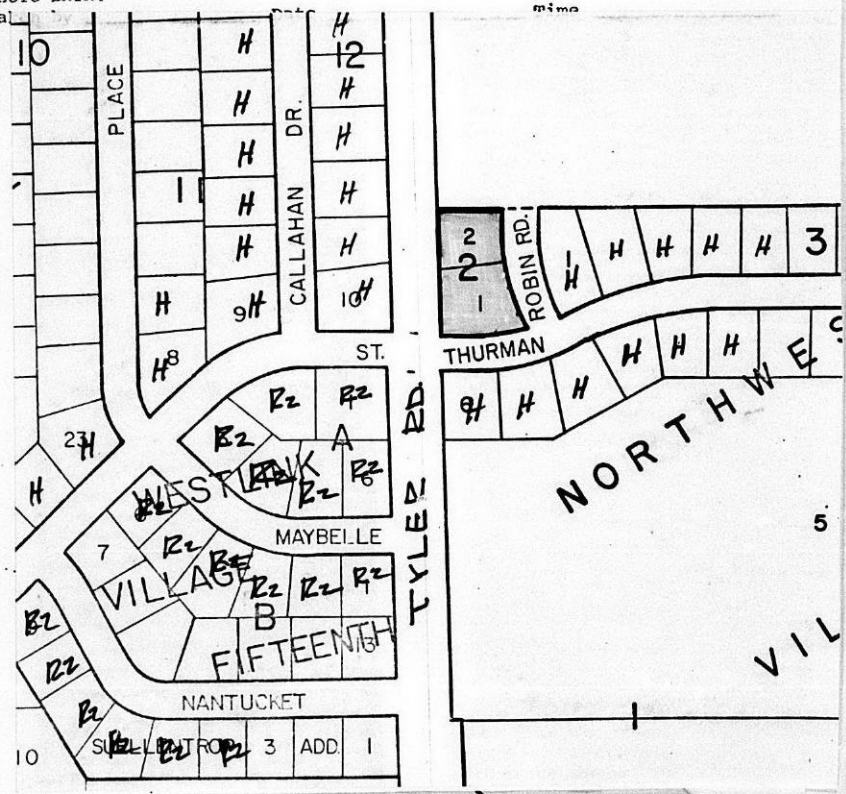
*Recorded 4-27-81  
Not  
4-23-81  
4-10-81  
4-9-81  
copy  
copy  
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copy*

Map No. 4940  
 Sec. 9  
 Twp. 27  
 Range 1W

BZA- 7-81  
 SCZ- \_\_\_\_\_  
 CU- \_\_\_\_\_  
 Filed \_\_\_\_\_

AREA DATA: (IRREGULAR)  
 1. Acres: 0.69 ( 160 ft. by 217 ft.)  
 2. Adjoining Zoning: E \_\_\_\_\_ S \_\_\_\_\_ W \_\_\_\_\_ N \_\_\_\_\_  
 3. Land Use: East SINGLE FAM South SINGLE FAM  
 West SINGLE FAM North UNDEVELOPED  
 4. Sketch Plan Land Use is for: \_\_\_\_\_  
 5. Present Land Use if for: UNDEVELOPED  
 6. Area (is) (is not) platted.

PHOTO DATA:



**H & K INVESTMENT, CO.**  
 5TH & TOMPKINS - P.O. BOX 879  
 ST. CHARLES, MO. 63301  
 BOB ELKAN (314) 946-6343  
 (314) 724-9541

Commercial and Industrial Developers (314) 838-7800  
**WOODSON**  
 DEVELOPMENT COMPANY  
 2786 N. Highway 67 • Florissant, Mo. 63033  
 DONALD IKEN  
 Vice-President  
 Res: 432-6455  
 Margaret  
 Affiliates: St. Louis County Realty Company



February 23, 1981

TO: WHOM IT MAY CONCERN

RE: KINDER KARE PRELIMINARY PLANS

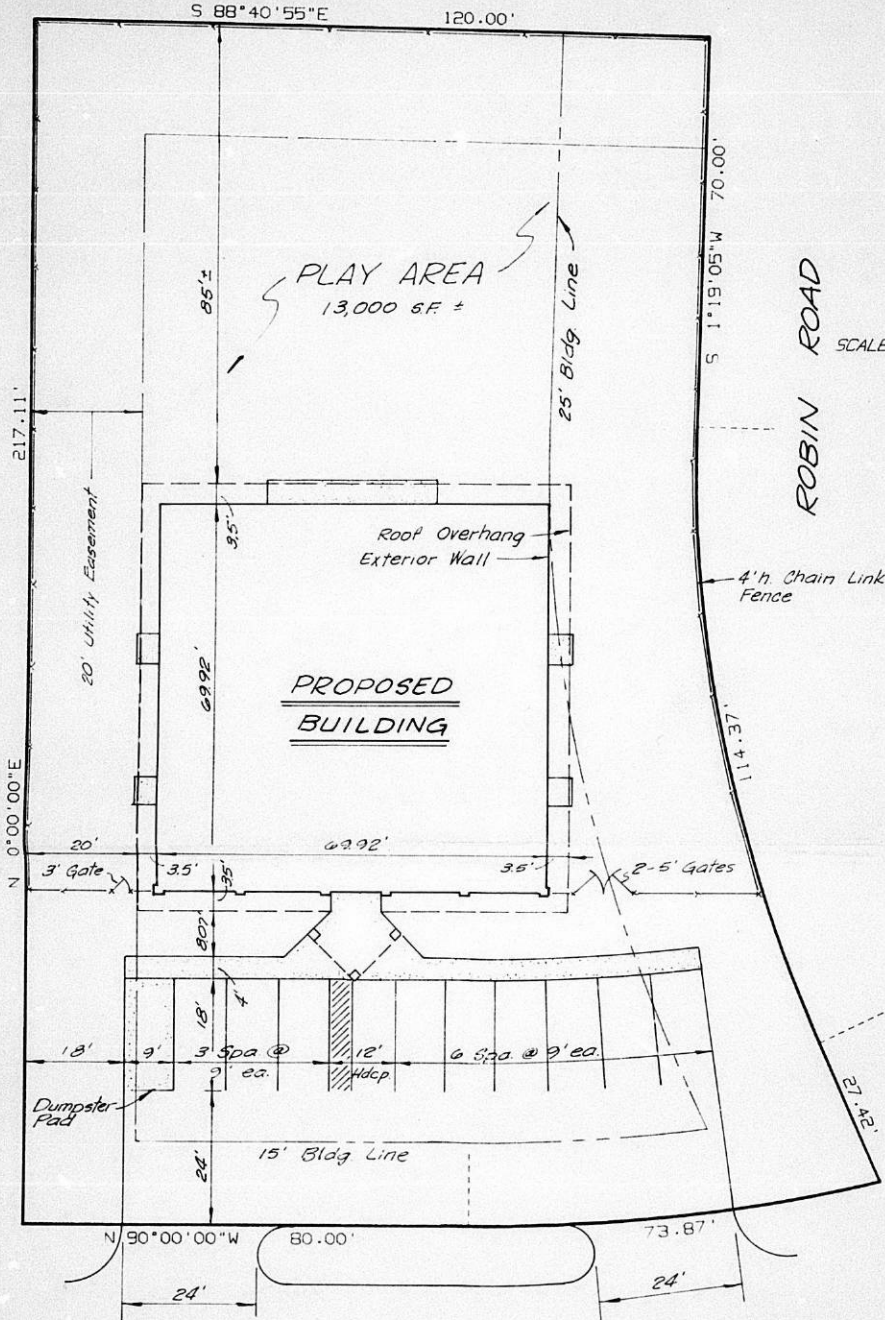
The plans presented for the proposed Kinder Care Learning Centers have sufficient space to accommodate a maximum of ninety-six (96) children. This figure may be less depending upon the age and unit size of the children in care.

*Robert L. Lancaster, R.S.*  
Robert L. Lancaster, R. S.  
Food Institution Supervisor

RL/br

Nichita-Sedgwick County Department of Community Health  
1900 East Ninth Street-Nichita, Kansas 67214 (316)268-8401

TYLER



SCALE 1" = 20'

THURMAN

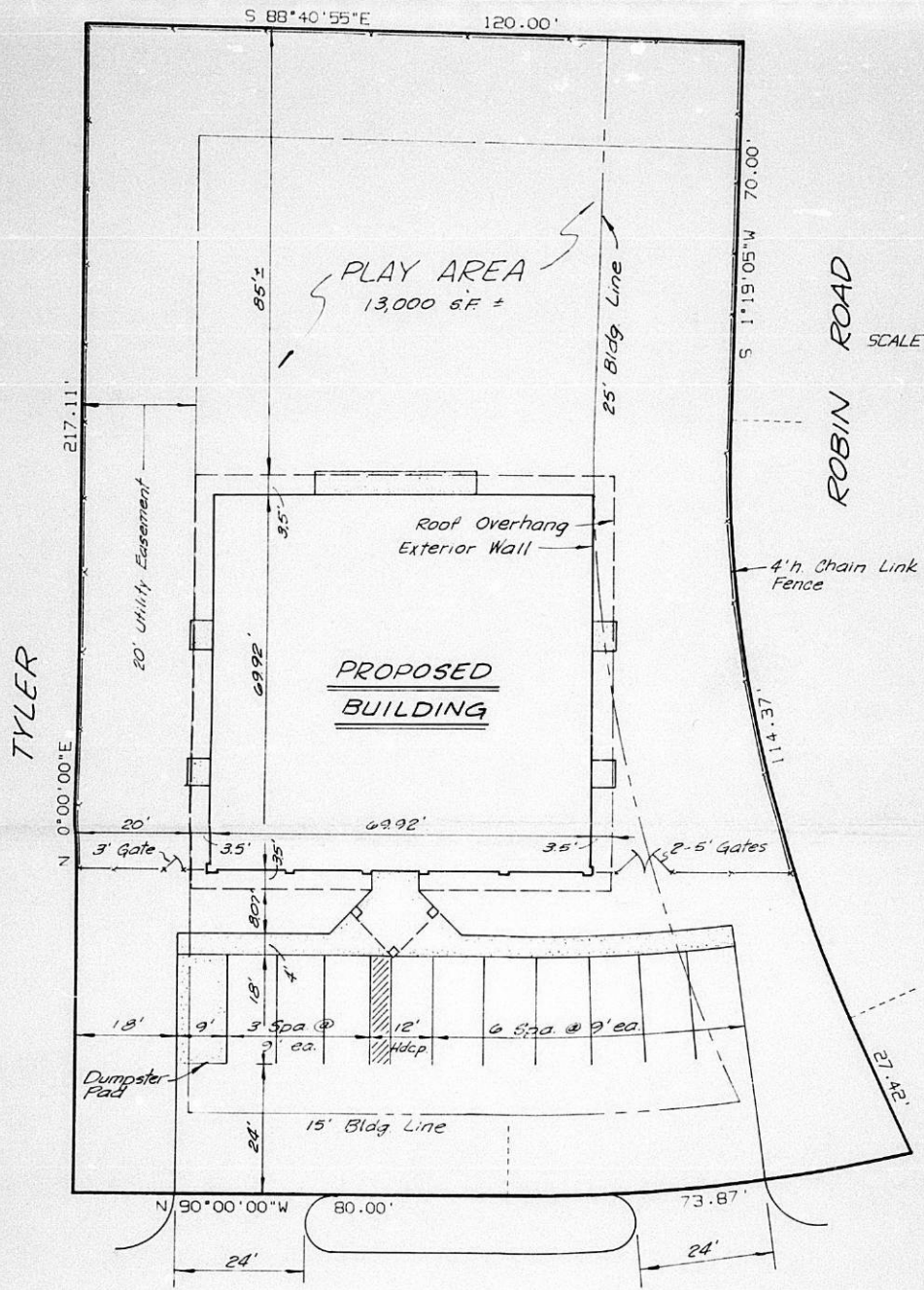
EXHIBIT "A"

KINDER CARE LEARNING CENTER

TYLER & THURMAN  
WICHITA, KANSAS

prepared for  
WOODSON DEVELOPMENT COMPANY  
2786 N. Highway 67  
Florissant, Mo., 63033  
314-838-7800

prepared by  
The Clayton Engineering Company



TYLER

ROBIN ROAD

THURMAN

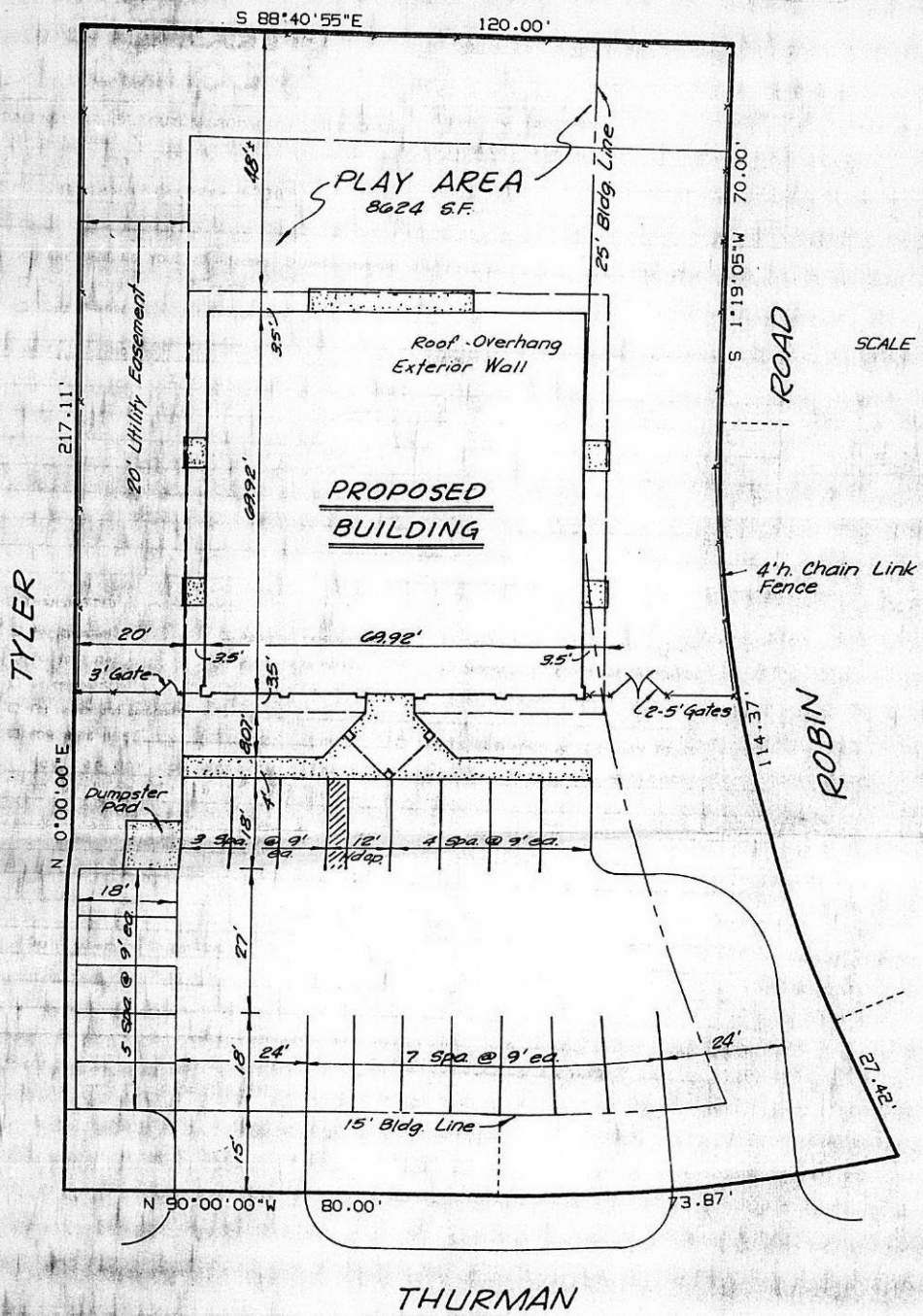
EXHIBIT "A"

KINDER CARE LEARNING CENTER  
 TYLER & THURMAN  
 WICHITA, KANSAS

prepared for  
 WOODSON DEVELOPMENT COMPANY  
 2786 N. Highway 67  
 Florissant, Mo., 63033  
 314-838-7800

prepared by  
 The Clayton Engineering Company  
 725 Old Ballas Road (314)567-4833 St. Louis, Missouri 63141

SP-13187  
 2-20-81



SCALE 1" = 20'

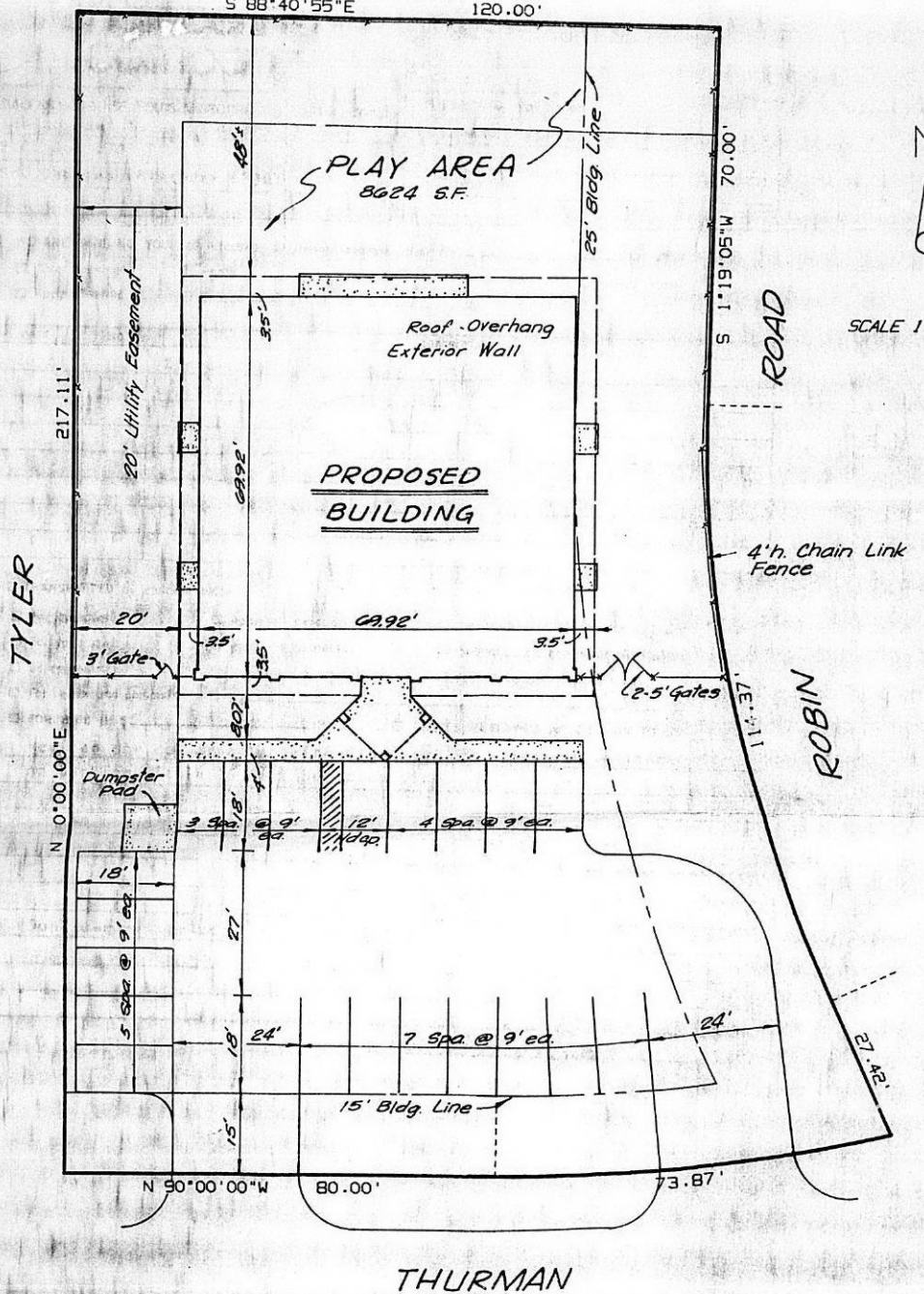
EXHIBIT "B"

KINDER CARE LEARNING  
CENTER  
TYLER & THURMAN  
WICHITA, KANSAS

prepared for  
WOODSON DEVELOPMENT COMPANY  
2786 N. Highway 67  
Florissant, Mo., 63033  
314-838-7800

prepared by  
The Clayton Engineering Company  
725 Old Bellas Road (214)867-4933 St. Louis, Missouri 63141

S 88°40'55"E 120.00'



SCALE 1" = 20'

TYLER

ROBIN

THURMAN

EXHIBIT "B"

KINDER CARE LEARNING CENTER  
 TYLER & THURMAN  
 WICHITA, KANSAS

prepared for  
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 2786 N. Highway 67  
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 725 Old Ballas Road (314)567-4833 St. Louis, Missouri 63141

SP-13187  
 2-26-81



ALTERNATE RECOMMENDATION:

Should the Beard determine that a child care facility would be appropriate at this location, then it would be the recommendation of the Secretary that the application be approved subject to the following conditions:

1. The maximum capacity of the facility, as determined by the Department of Community Health, is 96 children at any one time.
2. The center shall comply with all licensing requirements of the Kansas State Department of Health, including all building and fire safety regulations of the State of Kansas and the City of Wichita.
3. Outdoor play shall be limited to the hours between 7:30 a.m. and 6:30 p.m. when any part of the fenced play area is within 100 feet of any occupied residence.
4. One off-street parking space shall be provided on the premises for each teacher and employee plus one off-street parking space for each vehicle used in the operation of the child care center.
5. Ten off-street loading spaces shall be provided.
6. The required parking and loading spaces shall be paved with concrete, asphalt or other comparable material.
7. The facility shall be designed with a pitched roof of not less than 3-1/2 to 12 with shingle or shake roofing. Roofing color shall be residential in character and shall not be lighted with floodlights.
8. A solid screening fence, not less than six feet in height, shall be located along the north property line; provided, however, the east 25 feet shall be reduced to 3 feet in height.
9. Only one sign shall be permitted and shall be mounted on the face of the building and shall not exceed 16 square feet in gross surface area. Such sign may be internally lighted, but shall not be illuminated between the hours of 11:00 p.m. and 7:00 a.m. In addition to this sign, letters not exceeding a height of 15 inches may be installed on the face of the building as set forth in Section 28.04.139-C-3 of the zoning ordinance.



**IMPORTANT MESSAGE**

FOR Lytle  
DATE 3-8-51 TIME 3.22 A.M.  
P.M.

**WHILE YOU WERE AWAY**  
Donald Shen

OF \_\_\_\_\_  
PHONE No. 314-838-7840

|                   |                    |                                     |
|-------------------|--------------------|-------------------------------------|
| TELEPHONED        | PLEASE CALL        | <input checked="" type="checkbox"/> |
| CALLED TO SEE YOU | WILL CALL AGAIN    | <input type="checkbox"/>            |
| WANTS TO SEE YOU  | RETURNED YOUR CALL | <input type="checkbox"/>            |

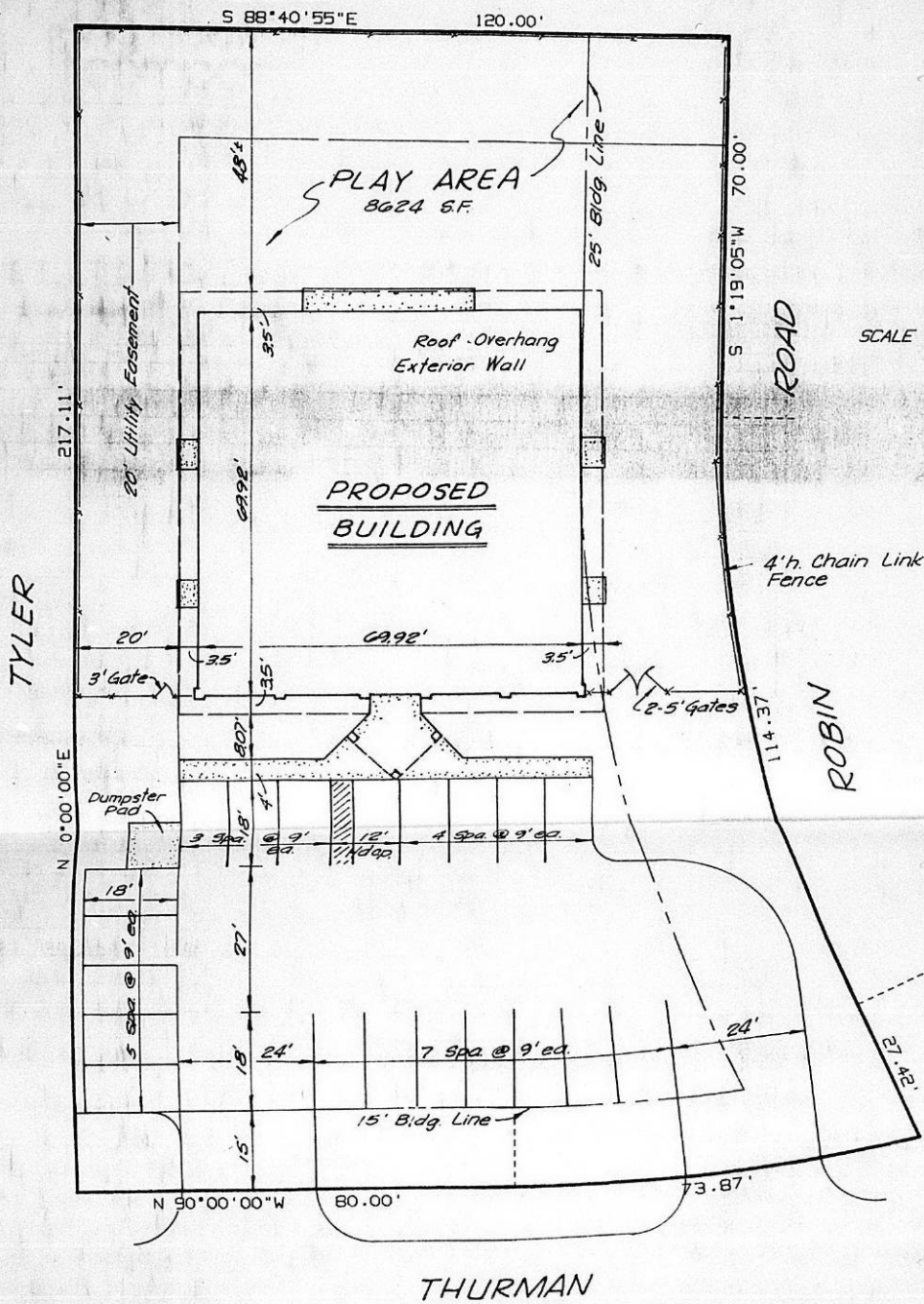
MESSAGE Call collect

Let us know

we'll pay & log reports

SIGNED W. C. Dayline Lytle



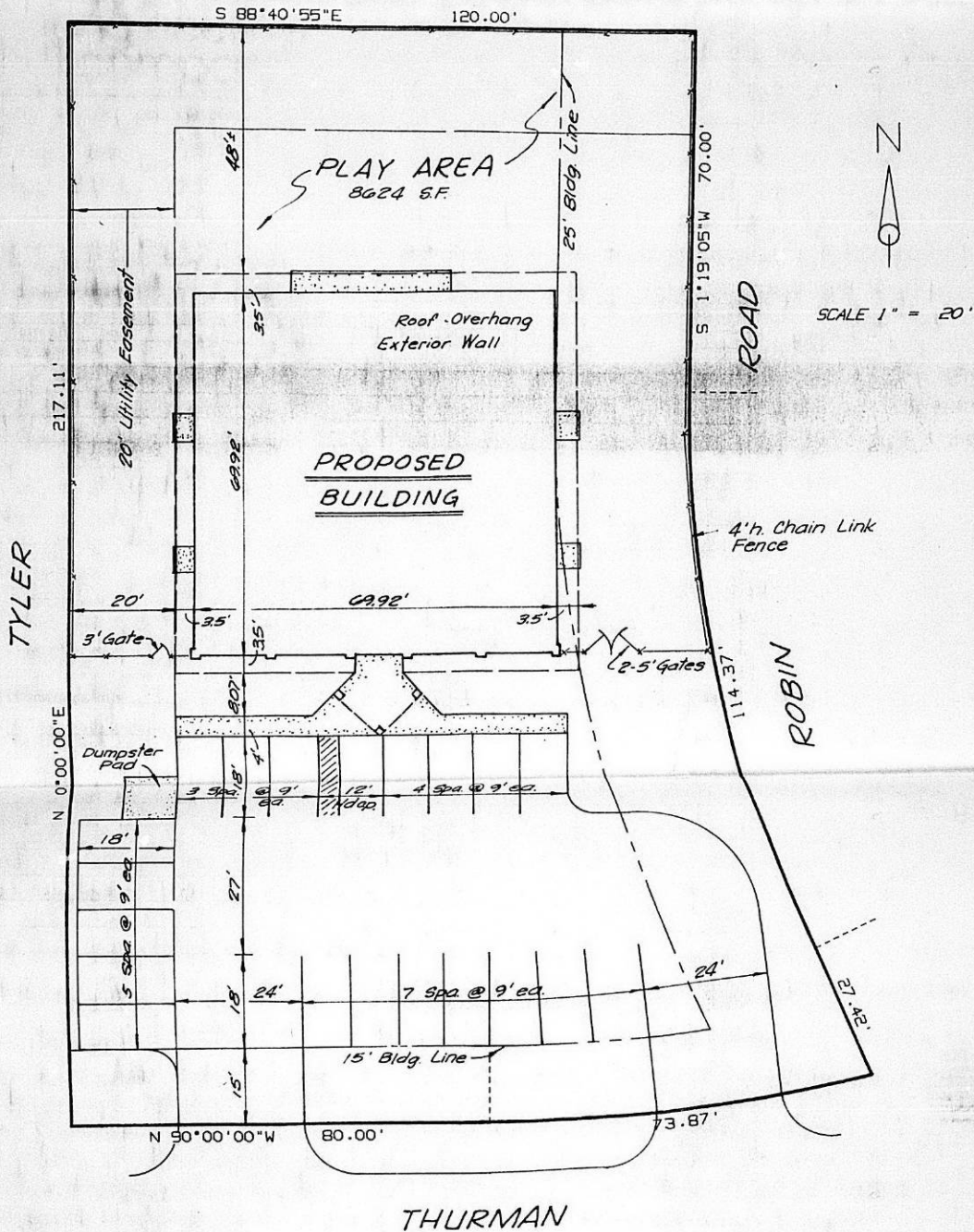


BZA 7-81  
EXHIBIT "B"

KINDER CARE LEARNING  
 CENTER  
 TYLER & THURMAN  
 WICHITA, KANSAS

prepared for  
 WOODSON DEVELOPMENT COMPANY  
 2786 N. Highway 67  
 Florissant, Mo., 63033  
 314-838-7800

prepared by  
 The Clayton Engineering Company  
 725 Old Rollins Road (314)567-4833 St. Louis, Missouri 63141



SCALE 1" = 20'

KINDER CARE LEARNING CENTER  
 TYLER & THURMAN  
 WICHITA, KANSAS

BZA 7-81  
EXHIBIT "B"

prepared for

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 314-838-7800

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 725 Old Ballas Road (314)567-4833 St. Louis, Missouri 63141

SP-13187  
 2-26-81

BOARD OF ZONING APPEALS  
Tenth Floor - City Hall  
455 North Main, Wichita, Kansas 67202

February 27, 1981

NOTICE TO ADJOINING PROPERTY OWNERS:

CASE NO. BZA 7-81

As required by law, all property owners of record, within 200 feet of a property to be considered for an exception or variance by the Board of Zoning Appeals, are to be notified of the public hearing. An application has been filed by Thurman Smith, 10300 West Central, Wichita, Kansas, requesting an exception.

Pursuant to Section 2.12.590.C, of the Code of the City of Wichita, the applicant is requesting an exception to permit the establishment of a day care center on property zoned "A" Two-family Dwelling District. A legal description of the applicant's property is as follows:

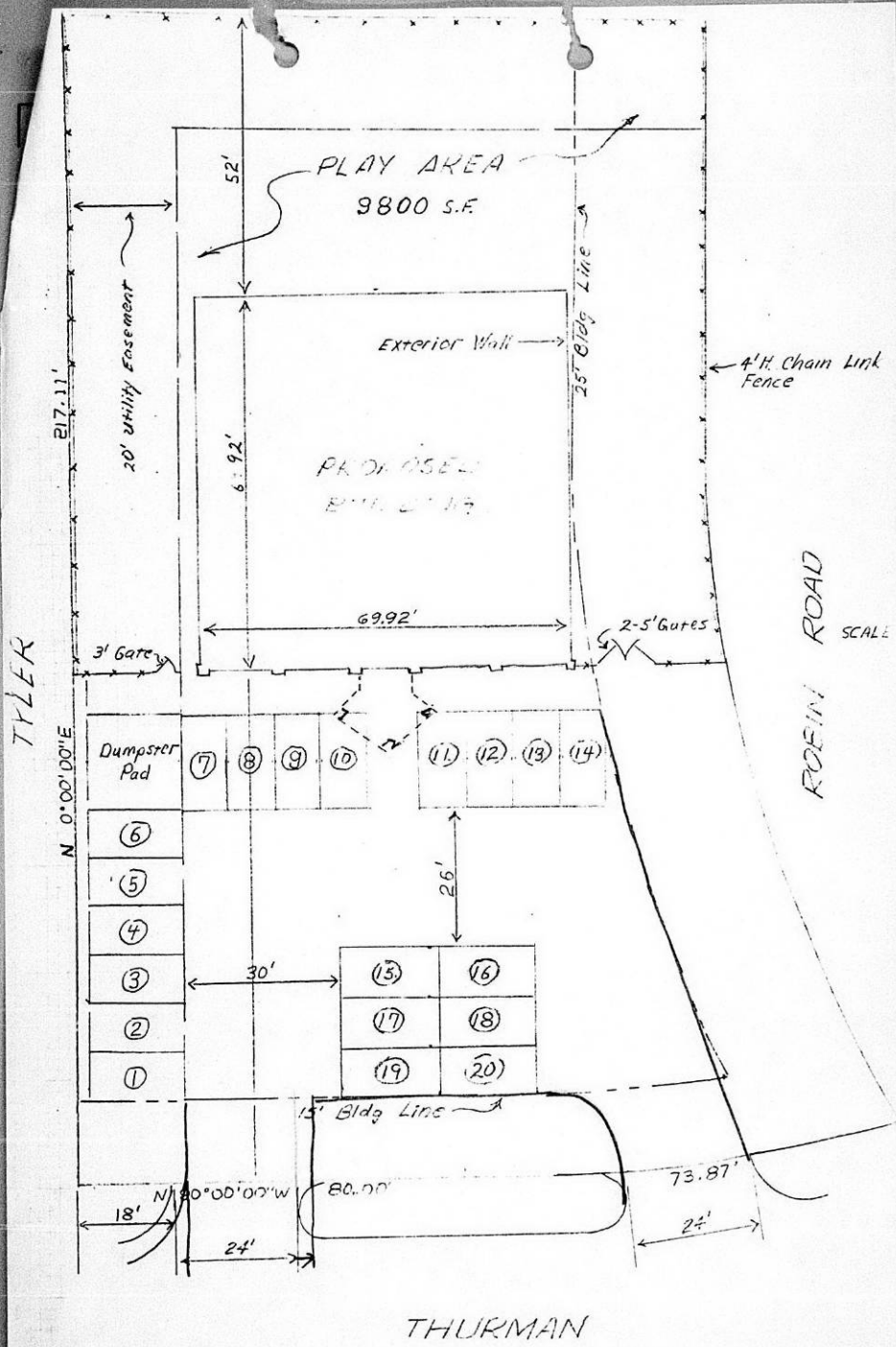
Lots 1 & 2, Block 2, Northwest Village Addition to Wichita, Sedgwick County, Kansas. Generally located on the northwest corner of Thurman and Robin Road.

This application has been assigned Case No. BZA 7-81. It will be considered by the Board of Zoning Appeals on March 24, 1981, at 1:30 p.m. in the Board Room, First Floor of City Hall, 455 North Main Street, Wichita, Kansas. If you have no interest or objections regarding the requested variance you have no obligation to appear or comment. If you desire to appear at the Board meeting, you are invited to do so, either in person or by agent or attorney.

It should be noted that the Citizen Participation Organization Area Council may consider this case at its next meeting. Additional information about such a meeting may be obtained by calling the CPO Office, 268-4516.

If you have any questions about the application, please feel free to call the Wichita-Sedgwick County Metropolitan Area Planning Department at 268-4421.

Jack H. Galbraith  
Secretary





**Kinder-Care**

**Annual Report 1980**



**NASDAQ MARKET PRICES**

| Period                          | Price Range |         | Dividend*     |
|---------------------------------|-------------|---------|---------------|
|                                 | High Bid    | Low Bid |               |
| Fiscal year ending June 1, 1979 |             |         |               |
| First Quarter                   | 18½         | 12¼     | \$ .015       |
| Second Quarter                  | 16½         | 9       | .015          |
| Third Quarter                   | 14          | 9       | .015          |
| Fourth Quarter                  | 15¼         | 11¼     | .015          |
|                                 |             |         | <u>\$ .06</u> |
| Fiscal year ending May 30, 1980 |             |         |               |
| First Quarter                   | 12¼         | 10½     | \$ .02        |
| Second Quarter                  | 11¼         | 7¾      | .02           |
| Third Quarter                   | 13¾         | 9¾      | .02           |
| Fourth Quarter                  | 11%         | 9%      | .02           |
|                                 |             |         | <u>\$ .08</u> |

\*In July 1980, the quarterly dividend was increased to two and one-half cents (\$.025) per share.

**Transfer Agent and Registrar**

First Alabama Bank of Montgomery, N.A.  
Montgomery, Alabama 36130

**Form 10K**

The SEC Annual Report Form 10-K is available to shareholders without charge upon written request to:

Richard J. Grassgreen,

Executive Vice President

Kinder-Care Learning Centers, Inc.

P.O. Box 2151

Montgomery, Alabama 36197

Telephone: (205) 277-5090

**NASDAQ Symbol:****KNDR (Common Stock)**

The common shares of Kinder-Care trade in the over-the-counter market under the NASDAQ symbol KNDR. The following brokerage firms make a market in the shares:

Alex. Brown & Sons

Bear, Stearns & Co.

Bernard L. Madoff

Dean Witter Reynolds Inc.

Dominick & Dominick Incorporated

Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc.

Gilder, Gagnon & Co. Inc.

Kidder, Peabody & Co. Incorporated

Merrill Lynch, Pierce, Fenner & Smith

Incorporated

Philip A. Sellers & Company, Inc.

Robinson-Humphrey Company, Inc.

**General Offices**

4505 Executive Park Drive  
Montgomery, Alabama 36116

**Officers**

Perry Mendel, President

Richard J. Grassgreen, Exec. Vice  
President, Secretary & Treasurer

Col. A.E. Boudreau, Vice President of  
Operations

Emanuel Kulbersh, Vice President of  
Real Estate

Harvey L. Cohen, Vice President of  
Construction

**Directors**

Aaron M. Aronov  
President, Aronov Realty Company,  
Inc., Montgomery, Alabama

Fred Berman  
President, Berman Bros. Iron &  
Metal Co., Inc., Birmingham, Alabama

William L. Gauntt  
President, Thornton, Farish &  
Gauntt, Inc., Montgomery, Alabama

Richard J. Grassgreen  
Exec. Vice President, Secretary &  
Treasurer, Kinder-Care Learning  
Centers, Inc., Montgomery, Alabama

Edward L. Lowder  
Formerly Exec. Vice President,  
Alabama Farm Bureau Mutual  
Casualty Insurance Company,  
currently Real Estate Investments

Charles S. Mechem, Jr.  
Chairman of the Board, Taft Broad-  
casting Company, Cincinnati, Ohio

Perry Mendel  
President, Kinder-Care Learning  
Centers, Inc., Montgomery, Alabama

Mark Sabel  
President, Sabel Steel Service, Inc.  
Montgomery, Alabama

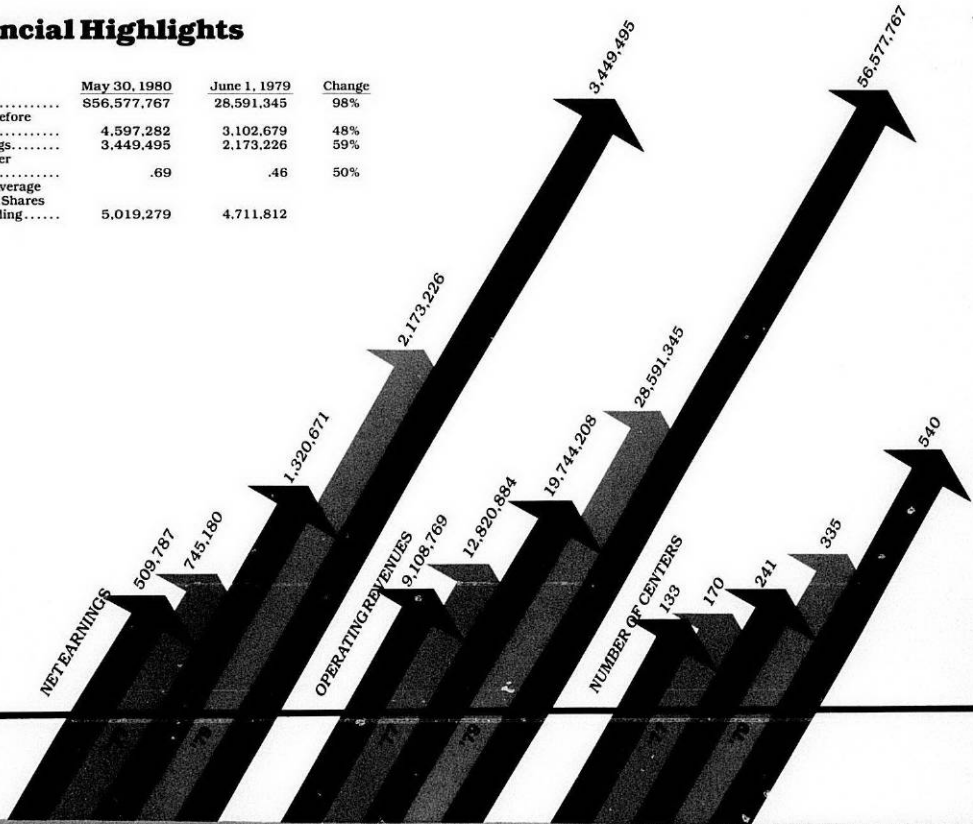
Stanley J. Susinski  
Investment Officer, The Great-West  
Life Assurance Company, Winnipeg,  
Manitoba

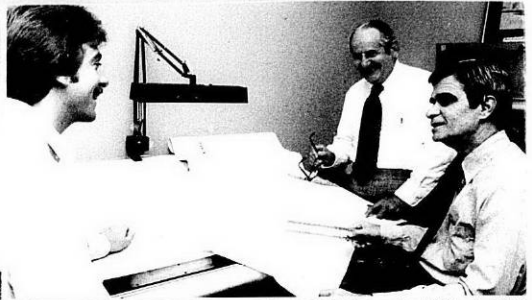
Larry E. Wallock  
President, Ben R. Goltsman &  
Company, Montgomery, Alabama

**GROWTH**

## Financial Highlights

|  | May 30, 1980 | June 1, 1979 | Change |
|--|--------------|--------------|--------|
| Revenues .....                                   | \$56,577,767 | 28,591,345   | 98%    |
| Earnings Before Taxes .....                      | 4,597,282    | 3,102,679    | 48%    |
| Net Earnings .....                               | 3,449,495    | 2,173,226    | 59%    |
| Earnings Per Share .....                         | .69          | .46          | 50%    |
| Weighted Average Common Shares Outstanding ..... | 5,019,279    | 4,711,812    |        |





**To our friends and shareholders:**

Kinder-Care completed another record year. Revenues, net income and earnings per share reached record highs. For the fiscal year ended May 30, 1980 revenues rose to \$56,577,767, up from \$28,591,345, an increase of 97.9% over the previous year. Net income was \$3,449,495 versus \$2,173,226 a year ago, an increase of 58.7%. Earnings per share reached \$ .69 against \$ .46 the previous year, an increase of 50%.

We have entitled the front cover of this year's report "GROWTH". As in past years, we continue to dedicate the future to continued GROWTH. Since becoming a public company in 1972 Kinder-Care has enjoyed an above average GROWTH in all areas of its business and operations. To illustrate this more clearly, the following chart demonstrates our past GROWTH record.

|   | Fiscal Year Ended 1972 | Fiscal Year Ended 1980 | GROWTH |
|---|------------------------|------------------------|--------|
| Revenues.....                                       | \$1,274,429            | \$56,577,767           | 60%*   |
| Net Earnings.....                                   | \$ 84,269              | \$ 3,449,495           | 59%*   |
| Earnings Per Share.....                             | \$ .02                 | \$ .69                 | 56%*   |
| Centers.....  | 29                     | 540                    | 49%*   |
| Return on Average Shareholders Equity               | 12%                    | 31%                    | 158%   |
| Employees.....                                      | 300                    | 6,000                  | 5,700  |
| Shareholders.....                                   | 500                    | 2,500                  | 2,000  |
| Number of States in which Kinder-Care operates..... | 3                      | 31                     | 28     |
| License capacity.....                               | 2,060                  | 59,600                 | 57,540 |

\*Compounded Annually

In addition, we continued to share our GROWTH with our shareholders by initiating our initial dividend in fiscal year ended 1978. The dividend has grown from \$ .03 per share in fiscal year 1978 to \$ .08 per share in fiscal year 1980 with a further increase to \$ .10 per share in the ensuing fiscal year.

Many events occurred during this past year that will enable your Company to continue to show record results for future years. The major acquisition of Mini-Schools Limited into Kinder-Care was completed. Mini-Schools' 88 centers are now being operated under the Kinder-Care name, with the exception of 14 Canadian centers which continue to

operate under the Mini-Schools name. The Mini-Schools acquisition has had a positive effect on this year's earnings.

During this past fiscal year a successful public offering of 490,000 shares of Kinder-Care Common Stock was completed on March 26, 1980 adding additional working capital for building and acquisition purposes.

During the past months the cost of money has been greatly escalated, but your Company continued to show GROWTH in the ensuing fiscal year in the number of operating centers. This has been accomplished by the consummation and proposed acquisitions of quality child care centers, that meet our strict criteria, on favorable terms to your Company that will produce immediate positive results to both revenues and earnings. These acquisitions include 33 centers from Primary Learning Systems, operating under the trade name of American Pre-Schools, located in California and Arizona, 46 centers located in the New England area operated by Living & Learning Centres, Inc., 8 centers operated by American Creative Schools in North Carolina and South Carolina. In addition, we have acquired 6 other centers from individual operators. The total of these acquisitions will add 93 new centers, with a total license capacity of approximately 9,900 children.

Today there are 612 Kinder-Care centers in operation in 32 states and two Provinces of Canada. With the planned openings of new centers and the completion of the proposed acquisitions we anticipate ending the ensuing fiscal year with approximately 700 Kinder-Cares in 36 states.

This GROWTH has enabled your Company to provide expanding services to the parents of children enrolled in Kinder-Care through its two subsidiaries, Kinder-Care Merchandise and Kinder Life Insurance Company. Both subsidiaries showed increases in revenues and while their contribution to our total earnings is still small, management feels that a larger contribution to earnings will be realized this fiscal year ending 1981.

Sales of t-shirts, tote-bags and educational toys are growing as record enrollment is achieved. Our photographic package of each child enrolled is receiving an 80% reception from our parents and continues to grow.

Perry Mendel  
President



Richard J. Grassgreen  
Executive Vice President



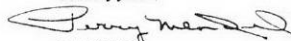
This past year Kinder Life made a contribution of \$147,000 to our earnings, up from \$110,000 last year. The first renewals became due in November, 1979 and to date we have realized renewals of approximately 30% on our policies. With the increased enrollment at our Centers, we anticipate a greater contribution from Kinder Life for fiscal year ending 1981.


Kinder Life will be offering, in the near future, a new policy designed to benefit our parents for the protection of our children enrolled in our Centers.

We are proud of our past GROWTH and with the continued support of our loyal and dedicated employees we commit ourselves to greater GROWTH in the future years.

We would like to thank you for your continued support as we accept the challenge of the 80's.

Sincerely yours,

  
Perry Mendel  
President

  
Richard J. Grassgreen  
Executive Vice President



**▲ OPERATING CENTERS**

|                     |                         |
|---------------------|-------------------------|
| <b>ALABAMA (33)</b> | <b>CALIFORNIA (16)</b>  |
| Anniston..... 1     | Fremont..... 1          |
| Birmingham..... 10  | Los Angeles..... 11     |
| Decatur..... 1      | San Diego..... 2        |
| Huntsville..... 1   | San Jose..... 1         |
| Mobile..... 6       | Santa Clara..... 1      |
| Montgomery..... 8   | <b>COLORADO (7)</b>     |
| Opelika..... 1      | Denver..... 5           |
| Phenix City..... 1  | Aurora..... 1           |
| Prattville..... 1   | Colorado Springs..... 1 |
| Selma..... 1        | <b>DELAWARE (2)</b>     |
| Tuscaloosa..... 2   | Dover..... 1            |
| <b>ARIZONA (2)</b>  | Wilmington..... 1       |
| Tucson..... 2       | <b>FLORIDA (22)</b>     |
| <b>ARKANSAS (8)</b> | Clearwater..... 4       |
| Fayetteville..... 1 | Gainesville..... 2      |
| Fort Smith..... 1   | Jacksonville..... 9     |
| Jonesboro..... 1    | Lakeland..... 1         |
| Little Rock..... 2  | Largo..... 1            |
| Pine Bluff..... 1   | Ocala..... 1            |
| Springdale..... 1   | Orlando..... 1          |
| West Memphis..... 1 | Tampa..... 2            |
|                     | Port Orange..... 1      |

|                      |                      |
|----------------------|----------------------|
| <b>GEORGIA (66)</b>  | <b>ILLINOIS (21)</b> |
| Atlanta..... 45      | Chicago..... 15      |
| Augusta..... 5       | Belleville..... 2    |
| Columbus..... 4      | Decatur..... 1       |
| Griffin..... 1       | Edwardsville..... 1  |
| Macon..... 4         | Godfrey..... 1       |
| Rome..... 1          | Urbana..... 1        |
| Savannah..... 4      | <b>INDIANA (12)</b>  |
| Warner Robins..... 2 | Lakeland..... 1      |
| <b>INDIANA (12)</b>  | Largo..... 1         |
| Chicago..... 15      | Ocala..... 1         |
| Belleville..... 2    | Orlando..... 1       |
| Decatur..... 1       | Tampa..... 2         |
| Edwardsville..... 1  | Port Orange..... 1   |
| Godfrey..... 1       |                      |
| Urbana..... 1        |                      |
| <b>IOWA (5)</b>      |                      |
| Cedar Rapids..... 2  |                      |
| Marion..... 1        |                      |
| Waterloo..... 2      |                      |

|                       |                       |
|-----------------------|-----------------------|
| <b>KANSAS (6)</b>     | <b>LOUISIANA (15)</b> |
| Kansas City..... 1    | Alexandria..... 1     |
| Lansing..... 1        | Lake Charles..... 1   |
| Olathe..... 2         | Baton Rouge..... 7    |
| Topeka..... 2         | Lafayette..... 1      |
| <b>MISSOURI (39)</b>  | Monroe..... 1         |
| Cape Girardeau..... 1 | New Orleans..... 2    |
| Columbia..... 1       | Shreveport..... 2     |
| Joplin..... 1         | <b>MARYLAND (6)</b>   |
| Kansas City..... 10   | Annapolis..... 1      |
| Jefferson City..... 1 | Baltimore..... 1      |
| St. Joseph..... 2     | Columbia..... 2       |
| St. Louis..... 22     | Frederick..... 1      |
| Nashville..... 3      | Waldorf..... 1        |
| Springfield..... 1    |                       |
| <b>NEBRASKA (6)</b>   |                       |
| Omaha..... 6          |                       |
| <b>NEW JERSEY (7)</b> |                       |
| Belford..... 1        |                       |
| Philadelphia..... 4   |                       |
| Deiran..... 1         |                       |
| Clementon..... 1      |                       |
| <b>NEW MEXICO (6)</b> |                       |
| Hobbs..... 1          |                       |
| Albuquerque..... 4    |                       |
| Sante Fe..... 1       |                       |
| Midland..... 1        |                       |
| Odessa..... 1         |                       |
| San Angelo..... 1     |                       |
| Lake Jackson..... 1   |                       |
| Longview..... 1       |                       |
| Lubbock..... 4        |                       |
| Midland..... 1        |                       |
| Odessa..... 1         |                       |
| San Angelo..... 1     |                       |
| San Antonio..... 7    |                       |
| Sherman..... 1        |                       |
| Temple..... 1         |                       |
| Texarkana..... 1      |                       |
| Tyler..... 2          |                       |
| Waco..... 1           |                       |
| Wichita Falls..... 1  |                       |
| <b>VIRGINIA (15)</b>  |                       |
| Chesapeake..... 1     |                       |
| Dale City..... 1      |                       |
| Hampton..... 2        |                       |
| Manassas..... 1       |                       |
| Newport News..... 3   |                       |
| Reston..... 1         |                       |
| Richmond..... 4       |                       |
| Sterling Park..... 1  |                       |
| Virginia Beach..... 4 |                       |
| <b>CANADA (14)</b>    |                       |
| Toronto..... 12       |                       |
| Winnipeg..... 2       |                       |

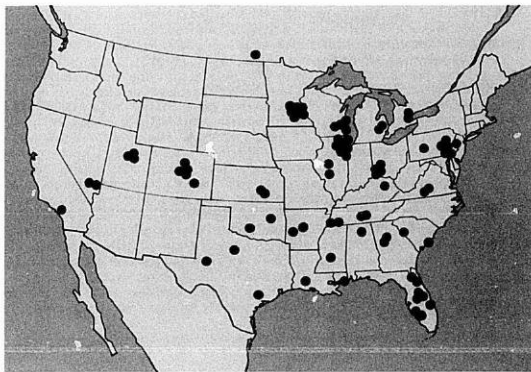
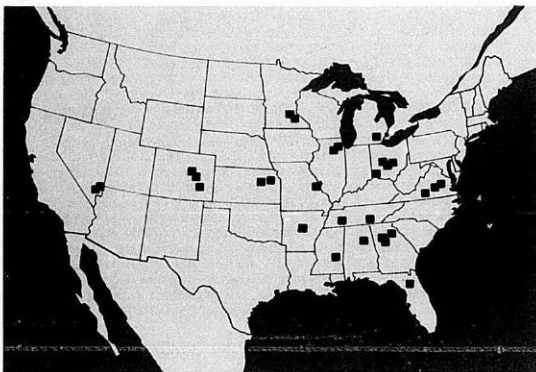
|                         |                            |
|-------------------------|----------------------------|
| <b>MICHIGAN (13)</b>    | <b>PENNSYLVANIA (6)</b>    |
| Detroit..... 6          | Lebanon..... 1             |
| Grand Rapids..... 3     | Philadelphia..... 3        |
| Kalamazoo..... 1        | Reading..... 1             |
| Lansing..... 3          | West Chester..... 1        |
| <b>MISSISSIPPI (10)</b> | <b>RHODE ISLAND (1)</b>    |
| Columbus..... 1         | Cranston..... 1            |
| Greenville..... 1       | <b>SOUTH CAROLINA (19)</b> |
| Gulfport..... 1         | Charleston..... 6          |
| Hattiesburg..... 1      | Columbia..... 4            |
| Jackson..... 3          | Greenville..... 4          |
| Pascagoula..... 1       | Orangeburg..... 1          |
| Tupelo..... 1           | Spartanburg..... 3         |
| Vicksburg..... 1        | Sunter..... 1              |
| <b>MISSOURI (39)</b>    | <b>TENNESSEE (16)</b>      |
| Cape Girardeau..... 1   | Chattanooga..... 3         |
| Columbia..... 1         | Clarksville..... 1         |
| Joplin..... 1           | Kingsport..... 1           |
| Kansas City..... 10     | Knoxville..... 3           |
| Jefferson City..... 1   | Memphis..... 4             |
| St. Joseph..... 2       | Murfreesboro..... 1        |
| St. Louis..... 22       | Nashville..... 3           |
| Springfield..... 1      | <b>TEXAS (94)</b>          |
| <b>NEBRASKA (6)</b>     | Abilene..... 1             |
| Omaha..... 6            | Amarillo..... 4            |
| <b>NEW JERSEY (7)</b>   | Austin..... 4              |
| Belford..... 1          | Corpus Christi..... 1      |
| Philadelphia..... 4     | Dallas/Ft. Worth..... 23   |
| Deiran..... 1           | El Paso..... 4             |
| Clementon..... 1        | Houston..... 34            |
| <b>NEW MEXICO (6)</b>   | Lake Jackson..... 1        |
| Hobbs..... 1            | Longview..... 1            |
| Albuquerque..... 4      | Lubbock..... 4             |
| Sante Fe..... 1         | Midland..... 1             |
| Midland..... 1          | Odessa..... 1              |
| Odessa..... 1           | San Angelo..... 1          |
| San Angelo..... 1       | San Antonio..... 7         |
| Lake Jackson..... 1     | Sherman..... 1             |
| Longview..... 1         | Temple..... 1              |
| Lubbock..... 4          | Texarkana..... 1           |
| Midland..... 1          | Tyler..... 2               |
| Odessa..... 1           | Waco..... 1                |
| San Angelo..... 1       | Wichita Falls..... 1       |
| Lake Jackson..... 1     | <b>VIRGINIA (15)</b>       |
| Longview..... 1         | Chesapeake..... 1          |
| Lubbock..... 4          | Dale City..... 1           |
| Midland..... 1          | Hampton..... 2             |
| Odessa..... 1           | Manassas..... 1            |
| San Angelo..... 1       | Newport News..... 3        |
| Lake Jackson..... 1     | Reston..... 1              |
| Longview..... 1         | Richmond..... 4            |
| Lubbock..... 4          | Sterling Park..... 1       |
| Midland..... 1          | Virginia Beach..... 4      |
| Odessa..... 1           | <b>CANADA (14)</b>         |
| San Angelo..... 1       | Toronto..... 12            |
| Lake Jackson..... 1     | Winnipeg..... 2            |
| Longview..... 1         |                            |
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■ UNDER CONSTRUCTION

|                        |   |                   |   |
|------------------------|---|-------------------|---|
| ALABAMA                |   |                   |   |
| Gadsden .....          | 1 |                   |   |
| ARKANSAS               |   |                   |   |
| Little Rock .....      | 1 |                   |   |
| COLORADO               |   |                   |   |
| Aurora .....           | 1 |                   |   |
| Denver .....           | 1 |                   |   |
| Colorado Springs ..... | 1 |                   |   |
| FLORIDA                |   |                   |   |
| Gainesville .....      | 1 |                   |   |
| GEORGIA                |   |                   |   |
| Snellville .....       | 1 |                   |   |
| Marietta .....         | 2 |                   |   |
| Gainesville .....      | 1 |                   |   |
| ILLINOIS               |   |                   |   |
| Chicago .....          | 2 |                   |   |
|                        |   | KANSAS            |   |
|                        |   | Lenexa .....      | 1 |
|                        |   | Topeka .....      | 1 |
|                        |   | MINNESOTA         |   |
|                        |   | Minneapolis ..... | 2 |
|                        |   | MICHIGAN          |   |
|                        |   | Plymouth .....    | 1 |
|                        |   | MISSISSIPPI       |   |
|                        |   | Meridian .....    | 1 |
|                        |   | MISSOURI          |   |
|                        |   | St. Louis .....   | 1 |
|                        |   | NEVADA            |   |
|                        |   | Las Vegas .....   | 2 |
|                        |   | NEW JERSEY        |   |
|                        |   | Voorhees .....    | 1 |
|                        |   | Mt. Laurel .....  | 1 |
|                        |   | NORTH CAROLINA    |   |
|                        |   | Charlotte .....   | 1 |
|                        |   | Raleigh .....     | 1 |
|                        |   | Rocky Mount ..... | 1 |
|                        |   | OHIO              |   |
|                        |   | Columbus .....    | 3 |
|                        |   | Cincinnati .....  | 1 |
|                        |   | TENNESSEE         |   |
|                        |   | Jackson .....     | 1 |
|                        |   | Chattanooga ..... | 1 |

● UNDER DEVELOPMENT

|                        |   |                         |    |
|------------------------|---|-------------------------|----|
| ALABAMA                |   |                         |    |
| Huntsville .....       | 1 |                         |    |
| ARKANSAS               |   |                         |    |
| Hot Springs .....      | 1 |                         |    |
| Conway .....           | 1 |                         |    |
| CALIFORNIA             |   |                         |    |
| Greater Los Angeles .. | 1 |                         |    |
| COLORADO               |   |                         |    |
| Denver .....           | 4 |                         |    |
| Colorado Springs ..... | 1 |                         |    |
| FLORIDA                |   |                         |    |
| Jacksonville .....     | 2 |                         |    |
| Melbourne .....        | 1 |                         |    |
| Orlando .....          | 4 |                         |    |
| Bradenton .....        | 1 |                         |    |
| Sarasota .....         | 1 |                         |    |
| GEORGIA                |   |                         |    |
| Conyers .....          | 1 |                         |    |
| Douglasville .....     | 1 |                         |    |
| ILLINOIS               |   |                         |    |
| Chicago .....          | 9 |                         |    |
| Springfield .....      | 1 |                         |    |
| Peoria .....           | 2 |                         |    |
| KANSAS                 |   |                         |    |
| Wichita .....          | 2 |                         |    |
|                        |   | KENTUCKY                |    |
|                        |   | Lexington .....         | 1  |
|                        |   | LOUISIANA               |    |
|                        |   | Lafayette .....         | 1  |
|                        |   | MICHIGAN                |    |
|                        |   | Detroit .....           | 2  |
|                        |   | MINNESOTA               |    |
|                        |   | Greater Minneapolis ..  | 10 |
|                        |   | MISSISSIPPI             |    |
|                        |   | Jackson .....           | 1  |
|                        |   | Biloxi .....            | 1  |
|                        |   | NEVADA                  |    |
|                        |   | Las Vegas .....         | 2  |
|                        |   | NEW JERSEY              |    |
|                        |   | Turnersville .....      | 1  |
|                        |   | Twin Rivers .....       | 1  |
|                        |   | Cherry Hill .....       | 1  |
|                        |   | NORTH CAROLINA          |    |
|                        |   | Charlotte .....         | 2  |
|                        |   | OHIO                    |    |
|                        |   | Cincinnati .....        | 4  |
|                        |   | OKLAHOMA                |    |
|                        |   | Tulsa .....             | 1  |
|                        |   | Lawton .....            | 1  |
|                        |   | PENNSYLVANIA            |    |
|                        |   | Greater Philadelphia .. | 5  |
|                        |   | Harrisburg .....        | 1  |
|                        |   | Newtown .....           | 1  |
|                        |   | Richboro .....          | 1  |
|                        |   | SOUTH CAROLINA          |    |
|                        |   | Charleston .....        | 1  |
|                        |   | Anderson .....          | 1  |
|                        |   | TENNESSEE               |    |
|                        |   | Nashville .....         | 2  |
|                        |   | Memphis .....           | 2  |
|                        |   | TEXAS                   |    |
|                        |   | Victoria .....          | 1  |
|                        |   | Abilene .....           | 1  |
|                        |   | Midland .....           | 1  |
|                        |   | UTAH                    |    |
|                        |   | Salt Lake City .....    | 3  |
|                        |   | VIRGINIA                |    |
|                        |   | Milwaukee .....         | 4  |
|                        |   | WISCONSIN               |    |
|                        |   | Milwaukee .....         | 4  |
|                        |   | CANADA                  |    |
|                        |   | Winnipeg .....          | 1  |
|                        |   | Greater Toronto .....   | 2  |



## Consolidated Summary of Earnings

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

|  | Year ended   |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  | May 28, 1976 | June 3, 1977 | June 2, 1978 | June 1, 1979 | May 30, 1980 |
| Operating revenues .....   | 89,108,769   | 12,820,884   | 19,744,208   | 28,591,345   | 56,577,767   |
| Operating expenses:  |              |              |              |              |              |
| Direct operating expenses .....                                      | 7,500,158    | 10,506,371   | 16,426,555   | 23,883,476   | 46,807,866   |
| General and administrative expenses .....                            | 399,817      | 457,713      | 538,985      | 718,223      | 1,184,276    |
| Total operating expenses .....                                       | 7,899,975    | 10,964,084   | 16,965,540   | 24,601,699   | 47,992,142   |
| Operating income .....   | 1,208,794    | 1,856,800    | 2,778,668    | 3,989,646    | 8,585,625    |
| Other income, principally interest .....                             | 38,845       | 51,746       | 74,673       | 586,449      | 665,496      |
| Total income .....   | 1,247,639    | 1,908,546    | 2,853,341    | 4,576,095    | 9,251,121    |
| Interest expense, net of amounts capitalized .....                   | 267,852      | 505,366      | 746,670      | 1,473,416    | 4,653,839    |
| Earnings before income taxes<br>and unconsolidated subsidiary .....  | 979,787      | 1,403,180    | 2,106,671    | 3,102,679    | 4,597,282    |
| Federal and state income taxes .....                                 | 470,000      | 658,000      | 786,000      | 1,040,000    | 1,295,000    |
| Net earnings before<br>unconsolidated subsidiary .....               | 509,787      | 745,180      | 1,320,671    | 2,062,679    | 3,302,282    |
| Earnings of unconsolidated subsidiary .....                          | —            | —            | —            | 110,547      | 147,213      |
| Net earnings .....   | \$ 509,787   | 745,180      | 1,320,671    | 2,173,226    | 3,449,495    |
| Net earnings per common share<br>and common share equivalent .....   | \$ .09       | .18          | .29          | .46          | .69          |
| Weighted average common shares and<br>common share equivalents ..... | 5,824,188    | 4,052,120    | 4,524,540    | 4,711,812    | 5,019,279    |
| Cash dividends per share .....                                       | \$ —         | —            | .03          | .06          | .08          |

See notes to consolidated financial statements, included elsewhere herein.

**GROWTH**

## Management's Discussion and Analysis of Consolidated Summary of Earnings

### KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

The following is management's discussion and analysis of certain significant facts which have affected the Company's earnings during the periods indicated.

A summary of the period-to-period changes in the principal items included in the Consolidated Summary of Earnings is shown below:

|   | Amount and Percentage of Increase Between |       |                               |       |
|---|---|-------|-------------------------------|-------|
|   | Fiscal Years<br>1978 and 1979             |       | Fiscal Years<br>1979 and 1980 |       |
|   | Amount                                    | %     | Amount                        | %     |
| Operating revenues .....                              | 88,847,137                                | 44.8  | 27,986,422                    | 97.9  |
| Direct operating expenses .....                       | 7,456,921                                 | 45.4  | 22,924,390                    | 96.0  |
| General and administrative<br>expenses .....          | 179,238                                   | 33.2  | 466,053                       | 64.9  |
| Operating income .....                                | 1,210,978                                 | 43.6  | 4,595,979                     | 115.2 |
| Other income .....                                    | 511,776                                   | 685.4 | 79,047                        | 13.5  |
| Interest .....  | 726,746                                   | 97.3  | 3,180,423                     | 215.0 |
| Earnings before income taxes .....                    | 996,008                                   | 47.3  | 1,494,603                     | 48.2  |
| Provision for federal and<br>state income taxes ..... | 254,000                                   | 32.3  | 255,000                       | 24.5  |
| Earnings of unconsolidated<br>subsidiary .....        | 110,547                                   | —     | 36,666                        | 33.2  |
| Net earnings .....                                    | 852,555                                   | 64.6  | 1,276,269                     | 58.7  |

#### Fiscal Year 1980 Compared to 1979

Operating revenues increased 97.9% during fiscal year 1980 over 1979. Of this increase, approximately 58% was due to the acquisition of Mini-Schools Limited. Twelve percent was due to the opening of new centers by the Company and 30% was due to increased enrollment at the Company's existing centers. Total revenues were additionally affected by a general tuition increase of approximately 4%. Direct operating expense, including maintenance and repairs, taxes (other than income taxes), advertising costs, rents, and depreciation and amortization of tangible and intangible items, rose 96%, a slightly lower rate than revenues. Approximately 49% of this increase was due to the acquisition of Mini-Schools with the remainder being due to the opening of new centers and increased enrollment at existing centers. Reflected in the overall increase in expenses were higher wages paid to a large portion of the Company's employees as a result of an increase in the Federal minimum wage on January 1, 1980. General and administrative expenses rose 64.9% with approximately 51% of this increase being due to the payment of the first year premiums for children enrolled in the centers and insured by Kinder Life Insurance Company. The remaining increase was less than the percentage increase in revenue and expenses due to certain economies of scale realized by the Company. Other income rose by 13.5% due to higher rates earned on certificates of deposit.

Interest expense increased 215% over the 1979 expense due to the acquisition of Mini-Schools including the fact that 77 of the 88 Mini-Schools centers are company owned rather than leased, an increase in the number of company owned centers in addition to the Mini-Schools centers, and the fact that the \$10,000,000 of 7½% Convertible Subordinated Debentures were outstanding for the entire fiscal year as compared to only nine months outstanding during fiscal year 1979. Approximately 83% of the increase was due to the Mini-Schools acquisition. The earnings of unconsolidated subsidiary reflects a 33.2% increase in the net earnings of Kinder Life Insurance Company.

During 1980, the Company operated an average of 446 centers having an average total licensed capacity of 48,500 children as compared to an average of 275 centers operated in 1979 with an average total licensed capacity of 26,000 children. The Company's centers operated at an average of approximately 64% of total revenue capacity in 1980 and 69% in 1979. "Total revenue capacity" as used herein means the sum of the licensed capacity of each of the Company's centers multiplied by such center's basic tuition rate for full time students.

#### Fiscal Year 1979 Compared to 1978

Operating revenues increased 44.8% during fiscal year 1979 over fiscal year 1978. It is estimated that 19% of this increase was due to the growth in the number of day care centers operated by the Company and 81% was due to increased enrollment at the Company's existing centers. The increase in operating revenues in 1979 reflects an estimated tuition increase of approximately 3%. Direct operating expenses, including maintenance and repairs, taxes (other than income taxes), advertising costs, rents, and depreciation and amortization of tangible and intangible items, rose 45.4% due to the opening and acquisition of new centers and increased enrollment at existing centers. It is estimated that 25% of this increase was due to the opening and acquisition of new centers, and that 75% of the increase was due to increased enrollment at existing centers. Reflected in the overall increase in expenses were higher wages paid to a large portion of the Company's employees as a result of an increase in the Federal minimum wage during the period. General and administrative expenses rose 33.2%, a substantially smaller increase than that in revenues, because of economies of scale. Other income rose 685.4% due mainly to interest earned on a large portion of the proceeds of the Debentures issued by the Company in September 1978. Interest expense increased 97.3% because of the opening of centers owned by the Company and the issuance of the Debentures. Earnings of Unconsolidated Subsidiary reflects the operations of Kinder Life Insurance Company.

During 1979, the Company operated an average of 275 centers having an average total licensed capacity of 26,000 children as compared to an average of 203 centers operated in 1978 having an average total licensed capacity of 19,000 children. The Company's centers operated at an average of approximately 69% of total revenue capacity in 1979 and 68% in 1978.

## Consolidated Balance Sheets

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

May 30, 1980 and June 1, 1979

### ASSETS

|  | 1980                      | 1979                     |
|--|---------------------------|--------------------------|
| <b>Current assets:</b>                                     |                           |                          |
| Cash (note 5) .....  | \$ 3,839,823              | 1,105,867                |
| Certificates of deposit .....                              | 3,450,000                 | 7,050,000                |
| Trade receivables .....                                    | 466,899                   | 268,990                  |
| Accrued interest .....                                     | 55,887                    | 393,126                  |
| Prepaid expenses and supplies .....                        | 670,830                   | 562,585                  |
| <b>Total current assets</b> .....                          | <u>8,483,439</u>          | <u>9,380,568</u>         |
| <b>Property, plant and equipment, at cost (note 5):</b>    |                           |                          |
| Land .....   | 20,524,501                | 3,058,209                |
| Buildings .....  | 39,020,691                | 8,640,574                |
| Auxiliary equipment .....                                  | 4,954,218                 | 2,375,979                |
| Vehicles .....   | 4,924,394                 | 2,295,062                |
| Other equipment, furniture and fixtures .....              | 4,203,397                 | 2,303,340                |
| Construction in progress .....                             | 778,824                   | 582,161                  |
|  | 74,406,025                | 19,255,325               |
| Less accumulated depreciation .....                        | 3,478,349                 | 1,840,209                |
| <b>Net property, plant and equipment</b> .....             | <u>70,927,676</u>         | <u>17,415,116</u>        |
| Excess cost over net assets of subsidiaries acquired ..... | 2,138,478                 | 520,216                  |
| Equity in unconsolidated subsidiary .....                  | 2,280,867                 | 2,133,655                |
| <b>Deferred charges and other assets:</b>                  |                           |                          |
| Deferred loan costs, less amortization .....               | 196,422                   | 140,111                  |
| Deferred lease costs, less amortization .....              | 1,076,877                 | 798,977                  |
| Deferred debenture costs, less amortization .....          | 595,601                   | 630,449                  |
| Pre-operating costs, less amortization (note 3) .....      | 1,519,958                 | 960,622                  |
| Other .....  | 155,394                   | 112,340                  |
| <b>Total deferred charges and other assets</b> .....       | <u>3,544,252</u>          | <u>2,642,499</u>         |
|  | <u><u>887,374,712</u></u> | <u><u>32,092,054</u></u> |

See accompanying notes to consolidated financial statements.

**GROWTH**

**Consolidated Balance Sheets** (Continued)  
KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

May 30, 1980 and June 1, 1979

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|   | <u>1980</u>         | <u>1979</u>       |
|---|---------------------|-------------------|
| <b>Current liabilities:</b>   |                     |                   |
| Current installment of long-term debt (note 5) .....  | \$ 2,032,045        | 571,777           |
| Accounts payable .....  | 395,318             | 372,218           |
| Accrued expenses:   |                     |                   |
| Payroll .....   | 849,315             | 492,279           |
| Taxes, other than income taxes .....  | 1,003,906           | 488,104           |
| Interest .....  | 709,714             | 204,743           |
| Other .....   | 152,372             | 91,710            |
| Income Taxes .....  | 69,353              | 58,949            |
| Total current liabilities .....   | <u>5,212,023</u>    | <u>2,279,780</u>  |
| Deferred rent .....   | 975,888             | 639,461           |
| Deferred income taxes (note 4) .....  | 3,217,172           | 2,262,172         |
| Long-term debt, excluding current installments (note 5) .....   | 49,157,172          | 9,603,188         |
| 7½% Convertible Subordinated Debentures (note 6) .....  | 10,000,000          | 10,000,000        |
| <b>Stockholders' equity (notes 6, 7 and 8)</b>  |                     |                   |
| Common stock of \$ .50 par value. Authorized 8,200,000 shares in 1980 and<br>6,200,000 shares in 1979; issued 6,113,847 shares in 1980 and 6,113,580 shares in 1979 ..... | 3,056,924           | 3,056,790         |
| Additional paid-in capital .....  | 7,972,394           | 539,803           |
| Retained earnings .....   | <u>8,322,918</u>    | <u>5,280,745</u>  |
|   | 19,352,236          | 8,877,338         |
| Less cost of common shares held in treasury—<br>481,389 shares in 1980 and 1,400,060 shares in 1979 .....   | 539,779             | 1,569,885         |
| Total stockholders' equity .....  | <u>18,812,457</u>   | <u>7,307,453</u>  |
| Commitments and contingencies (notes 2, 5, 6, 7, 8 and 9)   |                     |                   |
|   | <u>\$87,374,712</u> | <u>32,092,054</u> |

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Earnings

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

Years ended May 30, 1980 and June 1, 1979

|  | 1980                | 1979              |
|--|---------------------|-------------------|
| Operating revenues .....   | <u>\$56,577,767</u> | <u>28,591,345</u> |
| Operating expenses:  |                     |                   |
| Direct operating expenses .....                                  | 46,807,866          | 23,883,476        |
| General and administrative expenses .....                        | <u>1,184,276</u>    | <u>718,223</u>    |
| Total operating expenses .....                                   | <u>47,992,142</u>   | <u>24,601,699</u> |
| Operating income .....   | 8,585,625           | 3,989,646         |
| Interest income .....  | <u>665,496</u>      | <u>586,449</u>    |
| Total income .....   | 9,251,121           | 4,576,095         |
| Interest expense, net of amounts capitalized:                    |                     |                   |
| Interest on long-term debt .....                                 | 4,592,678           | 1,426,281         |
| Other interest .....   | <u>61,161</u>       | <u>47,135</u>     |
| Total interest expense, net of amounts capitalized .....         | <u>4,653,839</u>    | <u>1,473,416</u>  |
| Earnings before income taxes and unconsolidated subsidiary ..... | 4,597,282           | 3,102,679         |
| Federal and state income taxes (note 4) .....                    | <u>1,295,000</u>    | <u>1,040,000</u>  |
| Net earnings before unconsolidated subsidiary .....              | 3,302,282           | 2,062,679         |
| Earnings of unconsolidated subsidiary .....                      | <u>147,213</u>      | <u>110,547</u>    |
| Net earnings .....   | <u>\$ 3,449,495</u> | <u>2,173,226</u>  |
| Net earnings per common share .....                              | <u>\$ .69</u>       | <u>.46</u>        |
| Weighted average common shares .....                             | <u>5,019,279</u>    | <u>4,711,812</u>  |

See accompanying notes to consolidated financial statements.

**GROWTH**

## Consolidated Statements of Stockholders' Equity

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

Years ended May 30, 1980 and June 1, 1979

|  | Common stock     |                    | Additional<br>paid-in<br>capital | Retained<br>earnings | Treasury<br>stock | Total             |
|--|------------------|--------------------|----------------------------------|----------------------|-------------------|-------------------|
|  | Shares           | Amount             |                                  |                      |                   |                   |
| Balance at June 2, 1978 .....  | 6,104,580        | \$3,052,290        | 540,212                          | 3,390,241            | (1,569,885)       | 5,412,858         |
| Exercise of stock options .....  | 7,500            | 3,750              | 4,687                            | —                    | —                 | 8,437             |
| Effect of stock split on options<br>exercised before June 30, 1978 ..... | 1,500            | 750                | (750)                            | —                    | —                 | —                 |
| Expense of registration for<br>stock split .....                         | —                | —                  | (4,346)                          | —                    | —                 | (4,346)           |
| Dividends .....  | —                | —                  | —                                | (282,722)            | —                 | (282,722)         |
| Net earnings .....   | —                | —                  | —                                | 2,173,226            | —                 | 2,173,226         |
| Balance at June 1, 1979 .....  | 6,113,580        | 3,056,790          | 539,803                          | 5,280,745            | (1,569,885)       | 7,307,453         |
| Exercise of stock options .....  | 267              | 134                | 784                              | —                    | —                 | 918               |
| Sale of shares of treasury stock .....                                   | —                | —                  | 5,187,306                        | —                    | 755,476           | 5,942,782         |
| Issuance of treasury stock for<br>company acquired (note 2) .....        | —                | —                  | 2,511,346                        | —                    | 274,630           | 2,785,976         |
| Expense of stock issuance .....  | —                | —                  | (266,845)                        | —                    | —                 | (266,845)         |
| Dividends .....  | —                | —                  | —                                | (407,322)            | —                 | (407,322)         |
| Net earnings .....   | —                | —                  | —                                | 3,449,495            | —                 | 3,449,495         |
| Balance at May 30, 1980 .....  | <u>6,113,847</u> | <u>\$3,056,924</u> | <u>7,972,394</u>                 | <u>8,322,918</u>     | <u>(539,779)</u>  | <u>18,812,457</u> |

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Financial Position

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

Years ended May 30, 1980 and June 1, 1979

|  | 1980                  | 1979              |
|--|-----------------------|-------------------|
| <b>Sources of working capital:</b>                                       |                       |                   |
| Net earnings .....   | \$ 3,449,495          | 2,173,226         |
| Items which do not use (provide) working capital:                        |                       |                   |
| Depreciation .....   | 1,672,024             | 656,241           |
| Amortization—deferred charges .....                                      | 628,448               | 388,267           |
| Charge in lieu of income taxes .....                                     | 305,000               | —                 |
| Deferred income taxes .....  | 955,000               | 851,000           |
| Provision for deferred rent .....  | 336,427               | 133,876           |
| Earnings of unconsolidated subsidiary .....                              | (147,213)             | (110,547)         |
| Working capital provided by operations .....                             | 7,199,181             | 4,092,063         |
| Proceeds from long-term borrowings .....                                 | 18,373,668            | 13,192,109        |
| Proceeds from sale of property and equipment, net of gain .....          | 285,545               | 435,048           |
| Proceeds from issuance of stock .....                                    | 5,943,700             | 8,437             |
| Issuance of treasury stock for company acquired .....                    | 2,785,976             | —                 |
| Decrease in working capital .....  | 3,829,372             | —                 |
|  | <u>\$38,417,442</u>   | <u>17,727,657</u> |
| <b>Uses of working capital:</b>  |                       |                   |
| Additions to property, plant and equipment .....                         | \$11,885,585          | 6,148,336         |
| Increase in deferred charges and other assets .....                      | 1,427,037             | 1,736,388         |
| Current installments and repayment of long-term debt .....               | 4,595,908             | 3,764,356         |
| Net assets of company acquired less working capital deficit \$3,840,562: |                       |                   |
| Property at fair value .....   | 43,687,707            | —                 |
| Long-term debt .....   | (25,776,224)          | —                 |
| Increase in excess costs over net assets of subsidiary acquired .....    | 1,923,262             | —                 |
| Expense of issuance of treasury stock .....                              | 266,845               | —                 |
| Expense of two-for-one stock split .....                                 | —                     | 4,346             |
| Payment of cash dividends .....  | 407,322               | 282,722           |
| Increase in working capital .....  | —                     | 5,791,509         |
|  | <u>\$38,417,442</u>   | <u>17,727,657</u> |
| <b>Changes in components of working capital:</b>                         |                       |                   |
| Increase (decrease) in current assets:                                   |                       |                   |
| Cash .....   | \$ 2,733,956          | (125,027)         |
| Certificates of deposit .....  | (3,600,000)           | 6,000,000         |
| Receivables and accrued interest .....                                   | (139,330)             | 524,679           |
| Prepaid expenses and supplies .....                                      | 108,245               | 34,036            |
|  | (897,129)             | 6,433,688         |
| Increase (decrease) in current liabilities:                              |                       |                   |
| Notes payable and current installments of long-term debt .....           | 1,460,268             | (151,484)         |
| Accounts payable .....   | 23,100                | 227,510           |
| Accrued expenses .....   | 1,438,471             | 507,204           |
| Income taxes .....   | 10,404                | 58,949            |
|  | 2,932,243             | 642,179           |
| Increase (decrease) in working capital .....                             | <u>\$ (3,829,372)</u> | <u>5,791,509</u>  |

See accompanying notes to consolidated financial statements.

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## Notes to Consolidated Financial Statements

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

### (1) Summary of Significant Accounting Policies

#### (a) Principles of Consolidation

The consolidated financial statements include the accounts of Kinder-Care Learning Centers, Inc. (the Company) and its four wholly-owned non-insurance subsidiaries with all significant inter-company balances and transactions being eliminated in consolidation. The Company's operations consist principally of the operation of day care centers. The Company's investment in Kinder Life Insurance Company, another wholly-owned subsidiary, is accounted for using the equity method.

#### (b) Depreciation

Depreciation is provided on the straight-line basis, using lives as follows:

|   | Years                                      |
|---|--|
| Buildings .....                                   | 35-40                                      |
| Vehicles .....                                    | 3-5  |
| Other equipment, furniture,<br>and fixtures ..... | 3-10                                       |
| Leasehold<br>improvements .....                   | Terms of<br>leases<br>(generally 20 years) |

The initial complement of auxiliary equipment, which amounts to an overall average of approximately \$9,200 per day care center, consists of teaching aids, recreation equipment and other items re-

quired for the proper functioning of each newly established day care center; such equipment is capitalized and not depreciated, with the cost of subsequent replacements charged against income when placed in service.

Maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized. Gains or losses on disposals are credited or charged to income.

#### (c) Interest Capitalization Policy

Effective June 2, 1979, interest during construction periods has been capitalized and included in the cost of buildings pursuant to the provisions of Statement of Financial Accounting Standards No. 34. Interest capitalized during the year ended May 30, 1980 was approximately \$140,000.

#### (d) Excess Cost Over Net Assets of Subsidiaries Acquired

The Company acquired Kinder-Care Nursery Schools, Inc. (predecessor company) in a purchase transaction effective October 31, 1970. The excess cost over net assets of subsidiary acquired (\$520,216) is not being amortized because, in the opinion of management, there has been no decrease in value.

The Company acquired Mini-Skools Limited in a purchase transaction

effective August 31, 1979 (See note 2). The excess cost over net assets acquired (\$1,618,262) is not being amortized because the tax benefit from Mini-Skools operating loss carry-forward is expected to be realized as an offset against the excess cost; in the year ended May 30, 1980 \$305,000 was so realized.

#### (e) Deferred Loan Costs

Costs of obtaining long-term financing, consisting of finders' fees, loan origination charges and non-refundable commitment fees, are deferred and amortized on a straight-line basis over the period of the related loan.

#### (f) Deferred Lease Costs

Costs of acquiring and developing leased day care center locations, consisting of the cost of purchased leaseholds and the direct costs (including costs of the Company's real estate staff) of selecting sites for and supervising construction of day care centers, are deferred and amortized, on a straight-line basis, over the periods covered by the leases (generally twenty years).

#### (g) Deferred Debenture Costs

The costs of issuing the convertible subordinated debentures, consisting of accountants and attorneys fees, underwriters discounts, and printing costs, are being amortized on a straight-line basis over the term of the debentures (twenty years).

## Notes to Consolidated Financial Statements (Continued)

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

### (1) Summary of Significant Accounting Policies, con't.

#### (h) Pre-operating Costs

Pre-operating costs, consisting of opening announcement advertising, employee training, travel expense to and from the day care center and salaries of personnel readying the day care center prior to opening, for all day care centers, plus aggregate costs (net of revenues) of new day care centers incurred during the period prior to the beginning of their first annual enrollment period, are deferred and amortized, on a straight-line basis, over three years.

#### (i) Income Taxes

Income taxes are provided in the year transactions enter into the determination of net earnings regardless of when such transactions are recognized for income tax purposes. Investment tax credits are accounted for using the "flow-through" method which reduces Federal income tax expense for the year in which qualified property is placed in service.

#### (j) Deferred Rent

The Company is a party to several lease agreements which do not require rental payments for up to six months following occupancy. The Company follows the practice of expensing a ratable portion of the total rental payments over each month of occupancy beginning with the first month. Amounts recorded as expense before

payments commence are reflected in the balance sheet as deferred rent.

#### (k) Foreign Currency Translation

The accounts of the Company's Canadian subsidiaries, that are maintained in Canadian dollars, have been translated to United States dollars in accordance with the provisions in Statement of Financial Accounting Standards No. 8. The aggregate exchange gains and losses are not material.

#### (l) Earnings Per Share

Net earnings per share of common stock are based on the weighted average number of common shares outstanding during each year (5,019,279 shares in 1980 and 4,711,812 shares in 1979). The dilutive effect on net earnings per share of common stock resulting from the exercise of outstanding stock options would be less than 3%. Fully diluted earnings per share are not disclosed because the 7½% Convertible Subordinated Debentures are anti-dilutive.

The Company's Common Stock was split two-for-one on September 30, 1977 and June 30, 1978, effected as stock dividends. All warrant and stock option data and earnings and dividend per-share amounts in the consolidated financial statements and notes to consolidated financial statements

have been restated to give effect to the stock splits.

#### (2) Acquisition

The Company in an exchange offer made by its wholly-owned subsidiary, Kinder Canada Limited, acquired, effective August 31, 1979, all of the capital stock of Mini-Skools Limited, a Canadian corporation, operating 74 day care centers in the United States and 14 in Canada. The acquisition was accounted for using the purchase method of accounting. The aggregate acquisition cost was \$15,778,760, consisting of 244,921 shares of Kinder-Care Common Stock with a fair value of \$11.375 per share or \$2,785,976 in total, \$10,000,000 in 9% notes of Kinder Canada Limited guaranteed by the Company and \$2,992,784 cash. The 9% notes are payable \$500,000 in 1980, \$1,000,000 in each of the years 1981 through 1985 and \$4,500,000 in 1986. Mini-Skools assets and liabilities were adjusted to fair value; no value was assigned to certain assets with no continuing value to the Company. The fair value of non-current assets and long-term debt acquired was \$43,687,707 and \$25,776,224, respectively. The aggregate cost (\$15,778,760) exceeded the fair value of the net assets acquired, as adjusted, by \$1,923,262 which is included in the consolidated balance sheet at May 30, 1980 under the caption "Excess cost over net assets of subsidiaries acquired." (See note 1(d).)

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## Notes to Consolidated Financial Statements (Continued)

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

### (2) Acquisition, con't.

The following unaudited pro forma combined statements of earnings combine the results of operations of Kinder-Care and Mini-Skools for the years ended June 1, 1979 and May 30, 1980, adjusted to assume that the acquisition of Mini-Skools had occurred at the beginning of the 1979 fiscal year.

|                              | Year Ended   |              |
|------------------------------|--------------|--------------|
|                              | June 1, 1979 | May 30, 1980 |
|                              | (Unaudited)  | (Unaudited)  |
| Operating revenues           | \$47,809,322 | 60,770,693   |
| Operating expenses           | 41,637,520   | 52,268,630   |
| Operating income             | 6,171,802    | 8,502,063    |
| Other deductions—net         | 4,089,153    | 4,787,771    |
| Earnings before income taxes | 2,082,649    | 3,714,292    |
| Income taxes                 | 528,000      | 1,179,000    |
| Net earnings                 | \$ 1,554,649 | 2,535,292    |
| Net earnings per share       | \$ .31       | .51          |

### (3) Pre-operating Costs

The following is a schedule of the additions to, and amortization of, pre-operating costs:

|                                | Year Ended   |              |
|--------------------------------|--------------|--------------|
|                                | May 30, 1980 | June 1, 1979 |
| Balance at beginning of period | \$ 960,622   | 535,280      |
| Additions at cost              | 1,087,514    | 743,762      |
| Charged to expense             | (528,178)    | (318,420)    |
| Balance at end of period       | \$1,519,958  | 960,622      |

### (4) Income Taxes

Income tax expense applicable to net earnings was as follows:

|   | Year ended   |              |
|---|--------------|--------------|
|   | May 30, 1980 | June 1, 1979 |
| Current:                                      |              |              |
| Federal                                       | \$ (15,000)  | 97,000       |
| State   | 50,000       | 92,000       |
| Deferred:                                     |              |              |
| Federal                                       | 815,000      | 773,000      |
| State   | 140,000      | 78,000       |
| Charge in lieu of taxes of foreign subsidiary | 305,000      | —            |
|   | \$1,295,000  | 1,040,000    |

An amount equal to the charge in lieu of taxes has been offset against the "Excess costs over net assets of subsidiaries acquired" related to the acquisition of Mini-Skools Limited in recognition of the utilization, for financial statements purposes, of the Mini-Skools Limited operating loss carry-forward. The Company has remaining loss carry-forwards of approximately \$2,070,000 expiring in 1983.

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

|  | Year ended   |              |
|--|--------------|--------------|
|  | May 30, 1980 | June 1, 1979 |
| Portion of auxiliary equipment—expensed as acquired for tax purposes     | \$527,244    | 331,170      |
| Depreciation—expense computed using accelerated methods for tax purposes | 431,440      | 325,958      |
| Pre-operating costs—expensed as incurred for tax purposes                | 273,884      | 213,479      |
| Deferred lease costs—certain items expensed as incurred for tax purposes | 167,607      | —            |
| Investment tax credit carried forward                                    | (450,000)    | —            |
| Other, net   | 4,825        | (19,607)     |
|  | \$955,000    | 851,000      |

The Company has \$450,000 of investment tax credit carry-forwards available for offset against future income tax payments (tax return basis) through 1987. The U.S. income tax law provides for the utilization of investment tax credit carry-forwards on a first-in, first-out basis, which the Company believes will assure their use during the carry-forward periods.

## Notes to Consolidated Financial Statements (Continued)

### KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

#### (4) Income Taxes, con't.

The effective tax rates were 28% and 34% for the years ended May 30, 1980 and June 1, 1979, respectively. The differences between the amounts recorded and the amounts computed by applying the Federal income tax rate (48% until January 1, 1979 and 46% thereafter) to earnings before taxes are as follows:

|  | Year ended         |                  |
|--|--------------------|------------------|
|  | May 30, 1980       | June 1, 1979     |
| Taxes on earnings at statutory   |                    |                  |
| Federal rates  | \$2,114,750        | 1,463,534        |
| Increase (reduction) resulting from:                                     |                    |                  |
| Investment tax credit  | (715,000)          | (456,555)        |
| State income taxes   | 102,600            | 89,811           |
| New jobs credit  | —                  | (52,830)         |
| Tax deductible exchange loss eliminated upon translation to U.S. dollars | (176,871)          | —                |
| Other, net   | (30,479)           | (3,960)          |
|  | <u>\$1,295,000</u> | <u>1,040,000</u> |

No provision has been made for U.S. income taxes (not material in amount) that would be payable upon repatriation of earnings retained abroad by its foreign subsidiary, since it is the Company's intention to reinvest these earnings abroad.

#### (5) Long-Term Debt

A summary of long-term debt follows:

|   | May 30, 1980        | June 1, 1979      |
|---|---------------------|-------------------|
| <b>Kinder-Care and U.S. Subsidiaries</b>  |                     |                   |
| 7¾% to 13½% notes secured by first mortgages on real property having a depreciated cost of \$14,865,000 and \$8,020,000 at May 30, 1980 and June 1, 1979, respectively. Maturities to 2008  | \$11,727,270        | 7,057,914         |
| 9¼% notes secured by first mortgages on real property having a depreciated cost of \$752,000 and \$769,000 at May 30, 1980 and June 1, 1979, respectively, and by the pledge of all the stock of a wholly-owned subsidiary, the principal assets of which are the real property securing the notes. In addition, the lender is entitled to one half of the net cash income and gain on disposition (as defined in the governing loan agreement) | 463,969             | 518,599           |
| 8¼% to 9¼% lease purchase agreements on real property having a depreciated cost of \$997,000 and \$1,012,000 at May 30, 1980 and June 1, 1979, respectively. Maturities to 1995   | 898,036             | 918,459           |
| 18½% unsecured borrowings under line of credit  | 1,370,000           | 849,550           |
| Installment notes at 1% above lending bank prime rate (18½% at May 30, 1980), adjusted quarterly, secured by company vehicles having a depreciated cost of \$3,205,000 and \$790,000 at May 30, 1980 and June 1, 1979, respectively. Maturities to 1983   | 308,900             | 830,443           |
| Other   | 245,438             | —                 |
| <b>Kinder Canada and Canadian Subsidiary</b>  |                     |                   |
| 7¾% to 11% notes secured by first mortgages on the real property of a wholly-owned subsidiary. Maturities to 1998   | 10,041,837          | —                 |
| 9.6% to 11¼% first mortgage bonds of a wholly-owned subsidiary, secured by liens against a substantial number of the subsidiary's properties and a general assignment of the subsidiary's assets, with payments due annually and maturing from 1990 through 1995  | 15,888,847          | —                 |
| 9% notes payable, secured by a pledge of all the capital stock of a wholly-owned subsidiary, with maturities over a 7-year period in annual installments beginning September 15, 1980   | 10,000,000          | —                 |
| Other   | 244,920             | —                 |
|   | <u>\$1,183,217</u>  | <u>10,174,965</u> |
| Less current installments of long-term debt   | <u>2,032,045</u>    | <u>571,777</u>    |
|   | <u>\$49,157,172</u> | <u>9,603,188</u>  |

**GROWTH**

## Notes to Consolidated Financial Statements (Continued)

### KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

#### (5) Long-Term Debt, con't.

Principal payments required during the five year periods from May 30, 1980 are approximately \$2,032,000, \$3,385,000, \$3,510,000, \$3,040,000, and \$3,121,000, respectively.

Under lines of credit with banks, the Company could borrow from time to time during 1980 up to \$3,000,000 and during 1979 up to \$1,500,000 for unrestricted purposes. The weighted average amounts of short-term debt outstanding during the periods ended May 30, 1980 and June 1, 1979 were \$1,910,000 and \$620,000, respectively, with related average interest rates of 14.6% and 11.1%, respectively. The maximum short-term debt outstanding at any month end during fiscal 1980 and 1979 was \$2,507,000 and \$1,175,550, respectively. The lines of credit require average compensating balances. The compensating balances required to be maintained under the lines of credit amounted to \$300,000 at May 30, 1980 and \$225,000 at June 1, 1979. At May 30, 1980 and June 1, 1979 the unused balances under the bank lines of credit amounted to \$1,630,000 and \$650,450, respectively.

The Company follows the practice of obtaining non-cancellable long-term construction financing commitments in sufficient amounts to apply the pro-

ceeds to retirement of the notes issued under the Kinder-Care line of credit. Accordingly, the borrowings of \$1,370,000 for fiscal year 1980 and \$849,550 for fiscal year 1979 have been classified as long-term.

#### (6) Convertible Subordinated Debentures

The 7½% Convertible Subordinated Debentures are convertible at any time prior to maturity, unless previously redeemed, into 500,000 shares of Common Stock of the Company at a conversion price of \$20.00 per share, subject to adjustment under certain conditions. The debentures are redeemable on 30 days' notice (i) at the option of the Company as a whole or in part at redemption prices set forth therein and (ii) through an annual sinking fund commencing September 1, 1988, and calculated to retire approximately 80% of the issue prior to maturity.

#### (7) Agreement with Taft Broadcasting Company

An agreement with Taft Broadcasting Company (Taft) provides that so long as Taft holds 10% (Taft presently holds 20%) of the outstanding shares of Common Stock of the Company, the Company shall be prohibited from spending in any fiscal year more than \$2,000,000 or 50% of shareholders' equity (whichever is greater) for

capital expenditures and purchases of businesses or assets unrelated to day care centers.

#### (8) Stock Options

The Company has a qualified stock option plan under which key employees may be granted options to purchase up to 120,000 shares of the Company's Common Stock at the fair market value of the shares on the dates options are granted. The options are for a term of five years and become exercisable to the extent of one third of the number of optioned shares in each of the third, fourth, and fifth years after the grant, cumulatively. Through May 30, 1980, 63,667 options have been exercised (at prices ranging from \$3.94 to \$3.44), 31,300 options are outstanding (at prices ranging from \$3.44 to \$14.88) and 25,033 options are available for grant.

#### (9) Commitments and Contingencies

##### (a) Leasing Arrangements

The Company conducts a major part of its operations from leased premises which include 364 individual day care centers. All of the leases are classified as operating leases pursuant to criteria in Statement of Financial Accounting Standards No. 13 and generally run for a period of twenty years. Four of the leases require periodic changes in fixed rentals to reflect

## Notes to Consolidated Financial Statements (Continued)

KINDER-CARE LEARNING CENTERS, INC. AND SUBSIDIARIES

### (9) Commitments and Contingencies, Con't.

changes in the applicable consumer price index; three of the leases provide for contingent rentals.

In addition, the Company leases certain transportation equipment under operating leases for periods generally not in excess of three years.

In most cases management expects that in the normal course of business leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rentals required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of May 30, 1980:

|                                 |                      |
|---------------------------------|----------------------|
| Year ending                     |                      |
| May 29, 1981                    | \$ 7,299,000         |
| May 28, 1982                    | 7,313,000            |
| June 3, 1983                    | 7,247,000            |
| June 2, 1984                    | 7,229,000            |
| May 31, 1985                    | 7,230,000            |
| Subsequent years                | <u>104,021,000</u>   |
| Total minimum payments required | <u>\$140,339,000</u> |

Rentals under the leases charged to expense aggregated \$5,880,723 and \$3,974,762 for the years ended May 30, 1980 and June 1, 1979, respectively.

### (b) Employment Contracts

The Company has employment contracts with two of its key executives. The aggregate amounts of annual compensation under the agreements include a base salary, adjusted for changes in the U.S. Consumer Price Index, plus bonuses based on earnings.

### (c) Litigation

The Company is a defendant in several lawsuits which claim damages. With the exception of one case, the Company's liability insurance carrier, based upon counsel's evaluation of maximum losses, has informed the Company that its insurance coverage is ade-

quate to cover any loss which may result from these actions. In the remaining case, although damages substantially in excess of applicable insurance coverage are sought, the Company believes, after consulting with counsel, that the likelihood of any judgment being awarded in excess of insurance coverage is remote.

### (10) Transactions with Related Parties

Thirteen of the day care centers leased by the Company, with aggregate annual rentals of approximately \$188,000, are owned by certain officers and directors of the Company or by lessors controlled by certain officers and directors of the Company.

### (11) Quarterly Results (Unaudited)

A summary of the unaudited results of operations for each quarter of 1979 and 1980 follows:

|                           | First quarter | Second quarter | Third quarter | Fourth quarter |
|---------------------------|---------------|----------------|---------------|----------------|
| 1979:                     |               |                |               |                |
| Total revenue*            | \$5,102,202   | 6,907,517      | 9,503,308     | 7,664,767      |
| Operating income*         | 440,596       | 1,217,727      | 1,511,909     | 1,405,863      |
| Net earnings              | 191,082       | 629,877        | 747,114       | 605,153        |
| Earnings per common share | .04           | .13            | .16           | .13            |
| 1980:                     |               |                |               |                |
| Total revenue             | \$6,838,183   | 14,091,827     | 19,762,433    | 15,885,324     |
| Operating income          | 532,607       | 2,496,501      | 2,910,802     | 2,645,715      |
| Net earnings              | 260,716       | 1,023,177      | 993,446       | 1,172,156      |
| Earnings per common share | .06           | .21            | .20           | .22            |

\*Total revenue and operating income include interest income of \$586,449.

**GROWTH**

**(12) Subsequent Events**

Subsequent to May 30, 1980, the Company entered into an agreement to acquire the capital stock of Living and Learning Centers, Inc. for a total consideration of \$3,630,000 consisting of cash of \$830,000 and \$2,800,000 in seven year 9% promissory notes.

In addition, subsequent to May 30, 1980, the Company has entered into agreements to acquire a total of 41 day care centers. The aggregate purchase price for these centers will be approximately \$6,307,000, consisting of cash of \$1,141,000, six year 9½% notes of \$2,217,000, a seven year 8% second mortgage note of \$1,600,000 and the assumption of existing first mortgages, at various interest rates, of \$1,349,000.



Peat, Marwick, Mitchell & Co.

Certified Public Accountants

701 South 20th Street  
Birmingham, Alabama 35233

The Board of Directors and Stockholders  
Kinder-Care Learning Centers, Inc.

We have examined the consolidated balance sheets of Kinder-Care Learning Centers, Inc. and subsidiaries as of May 30, 1980 and June 1, 1979, and the related consolidated statements of earnings, stockholders' equity, and changes in financial position for the years then ended. Our examinations 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Kinder-Care Learning Centers, Inc. and subsidiaries at May 30, 1980 and June 1, 1979, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Birmingham, Alabama  
July 24, 1980

*Peat, Marwick, Mitchell & Co.*

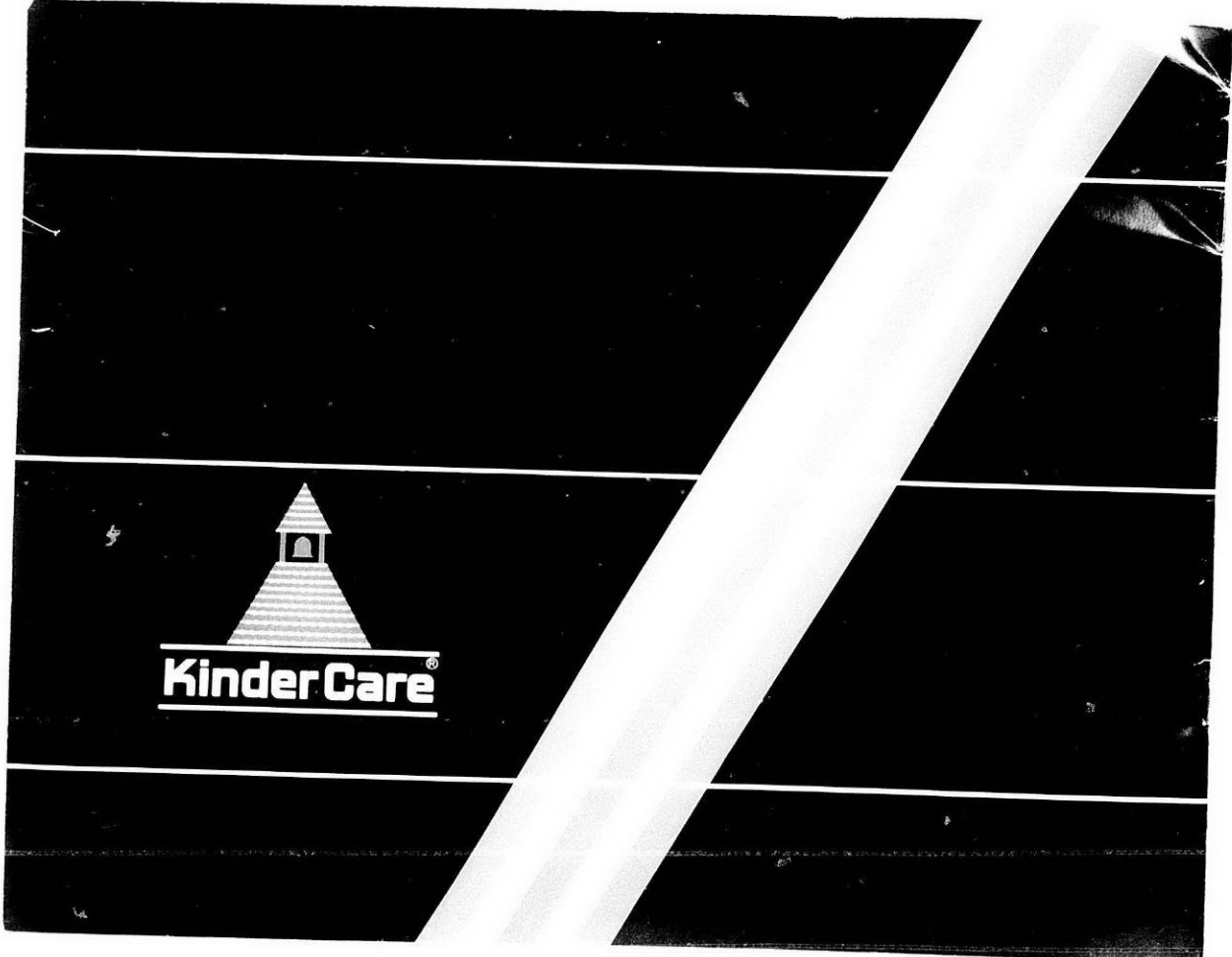
PEAT, MARWICK, MITCHELL & CO.

**In Memoriam**



**TINE W. DAVIS**

A beloved member of our Board of Directors and one of the founders of our Company passed away on August 6th, 1980. Mr. Davis served Kinder-Care diligently since 1969 and we shall miss this wonderful person. We express our deepest sympathy to his family.



**KinderCare<sup>®</sup>**

March 31, 1981

Tim Ewald  
3705 East Douglas  
Wichita, Kansas

Re: Case No. BEA 7-81  
Request for Exception

Dear Mr. Ewald:

Enclosed is a signed copy of the Resolution adopted by the Board of Zoning Appeals on March 24, 1981.

This Resolution reflects the official action of the Board to approve your request, and sets out the conditions of approval. It is forwarded to you for your information and files.

If you have questions concerning this matter, please call our office.

Sincerely,

Jack R. Galbraith  
Secretary

JHG:sad  
Enclosure

cc: Thurman Smith, 10300 West Central, Wichita, Kansas  
Robert Feldner, Superintendent of Central Inspection (2)  
Don Gisick, City Clerk

RESOLUTION NO. BEA 7-81

WHEREAS, Thurman Smith, 10300 West Central, Wichita, Kansas, requests an exception as provided in Section 2.12.590.C, Code of the City of Wichita, to permit the establishment of a Child Day Care Center on property zoned the "A" Two-family Dwelling District and legally described as follows:

Lots 1 & 2, Block 2, Northwest Village Addition to Wichita, Sedgwick County, Kansas. Generally located on the northwest corner of Thurman and Robin Road.

WHEREAS, proper notice as required by ordinance and by the rules of the Board of Zoning Appeals has been given; and

WHEREAS, the Board of Zoning Appeals did, at the meeting of March 24, 1981, consider said application; and

WHEREAS, the Board of Zoning Appeals has proper jurisdiction to consider said request for an exception under the provisions of Section 2.12.590.C, Code of the City of Wichita; and

WHEREAS, the Board of Zoning Appeals has authority to permit the establishment of a Child Day Care Center on property zoned the "A" Two-family Dwelling District subject to the conditions outlined in Section 28.04.185.2, Code of the City of Wichita.

NOW, THEREFORE, BE IT RESOLVED by the Board of Zoning Appeals of the City of Wichita, that this application be approved to establish a Child Day Care Center on property zoned the "A" Two-family Dwelling District and legally described as follows:

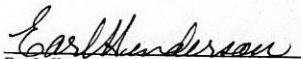
Lots 1 & 2, Block 2, Northwest Village Addition to Wichita, Sedgwick County, Kansas. Generally located on the northwest corner of Thurman and Robin Road.

subject to the following conditions:

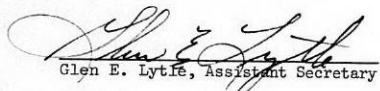
1. The maximum capacity of the facility, as determined by the Department of Community Health, is 96 children at any one time.
2. The center shall comply with all licensing requirements of the Kansas State Department of Health, including all building and fire safety regulations of the State of Kansas and the City of Wichita.
3. Outdoor play shall be limited to the hours between 7:30 a.m. and 6:30 p.m. when any part of the fenced play area is within 100 feet of any occupied residence.
4. One off-street parking space shall be provided on the premises for each teacher and employee plus one off-street parking space for each vehicle used in the operation of the child care center.
5. Ten off-street loading spaces shall be provided.
6. The required parking and loading spaces shall be paved with concrete, asphalt or other comparable material.
7. The facility shall be designed with a pitched roof of not less than 3-1/2 to 12 with shingle or shake roofing. Roofing color shall be residential in character and shall not be lighted with floodlights.

8. A solid screening fence, not less than six feet in height, shall be located along the north property line; provided, however, the east 25 feet shall be reduced to 3 feet in height.
9. Only one sign shall be permitted and shall be mounted on the face of the building and shall not exceed 16 square feet in gross surface area. Such sign may be internally lighted, but shall not be illuminated between the hours of 11:00 p.m. and 7:00 a.m. In addition to this sign, letters not exceeding a height of 15 inches may be installed on the face of the building as set forth in Section 28.04.139-C-3 of the zoning ordinance.

ADOPTED AT WICHITA, KANSAS, this 24th day of March, 1981.

  
Earl Henderson, Chairman

ATTEST:

  
Glen E. Lytle, Assistant Secretary

March 27, 1981

Tim Ewald  
3705 East Douglas  
Wichita, Kansas

Re: Case No. BZA 7-81  
Request for Exception

Dear Mr. Ewald:

At the regular meeting of the Board of Zoning Appeals on March 24, 1981, your request for an exception to permit the establishment of a Child Day Care facility in the "A" Two-family Dwelling District was considered.

It was the action of the Board to approve your request subject to the following conditions:

1. The maximum capacity of the facility, as determined by the Department of Community Health, is 96 children at any one time.
2. The center shall comply with all licensing requirements of the Kansas State Department of Health, including all building and fire safety regulations of the State of Kansas and the City of Wichita.
3. Outdoor play shall be limited to the hours between 7:30 a.m. and 6:30 p.m. when any part of the fenced play area is within 100 feet of any occupied residence.
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A Resolution setting forth the official action of the Board is being prepared and you will be mailed a copy as soon as the signatures of the Chairman and Secretary have been obtained.

If you have any questions, please call our office.

Sincerely yours,

Glen E. Lytle  
Assistant Secretary

OKL:sad

cc: Thurman Smith, 10300 West Central, Wichita, Kansas  
Bob Elkan, H & K Investment Co., P. O. Box 879, St. Charles, Mo. 63301  
Donald Iken, Vice President, Woodson Development Co., 2786 North Highway 67, Florissant, Mo. 63033

**THE CITY OF WICHITA**  
OFFICE OF CITIZEN PARTICIPATION

DATE March 23, 1981

TO Glen Lytle, Special Assistant For Zoning  
FROM Dean Kruthof, Administrative Aide III

SUBJECT BZA 7-81: Northwest corner of  
Thurman and Robin Road

At its March 18 meeting, Area "A" CPO Council considered the captioned case. Bob Elkin was present representing the applicant. No area residents were in attendance concerning this case. Mr. Elkin presented a site development plan to the Council and answered questions about the proposed project.

The Council voted unanimously, 7-0, to recommend approval of the requested zoning exception. The Council stated that the area is currently undeveloped, the Kinder Care facility would not change the character of an establishment neighborhood. The Council also noted the remarks Mr. Elkin made about the ability to alter the buildings appearance to blend with the surrounding neighborhood.

Please inform the Board of Zoning Appeals of the Council's recommendation when the case is considered by them on March 24. Thank you.

*Dean Kruthof*  
Dean Kruthof  
Administrative Aide III

DK:dm

Noted:

*Sarah Gilbert*  
Sarah Gilbert  
Assistant CP Coordinator



SECRETARY'S REPORT  
CASE NO. BZA 7-81

APPLICANT: Thurman Smith, 10300 West Central, Wichita, Kansas

AGENT: Tim Dwald, 3705 East Douglas, Wichita, Kansas

REQUEST: Exception pursuant to Section 28.04.185.2, Code of the City of Wichita to permit the establishment of a Child Day Care facility in the "A" Two-family Dwelling District.

GENERAL LOCATION: On the northeast corner of Thurman and Tyler Road.

ZONING: Subject property is zoned "A" Two-family Dwelling District as is the property to the east. Property to the south is "RB" Four-family Dwelling District. Properties to the west and north are zoned the "AA" One-family Dwelling District.

LAND USE: Subject property is vacant as are the properties to the north, east and south. Properties to the west are developed as single-family.

JURISDICTION:

The Board has jurisdiction to consider this request under the provisions outlined under Section 2.12.590.C, Code of the City of Wichita. The Board may grant the exception provided the conditions set out in Section 28.04.185.2 can be complied with.

COMMENTS BY THE SECRETARY:

The applicant is requesting an exception to establish a Child Day Care facility on the property zoned the "A" Two-family Dwelling District. The proposed facility will provide care for a maximum of 96 children based on the plans submitted for review by the Health Department and Central Inspection. This facility is to be developed by Kinder-Care Learning Renters, Inc. which is a national firm with general offices in Montgomery, Alabama, operating Child Day Care Centers in 29 States and in Canada.

When the agent for the applicant filed the application, he was advised that the size of the property is very limited for a Child Day Care facility to accommodate 96 children, particularly when in the residential zoning districts all off-street parking and loading are to be located on the property in back of the front and side yard setbacks adjacent to the two streets.

At this particular location, it would appear that such a facility would create traffic congestion on Thurman which will be the main exit from the future residential development to the east. Based on the applicant's site plan, the traffic circulation will require exiting onto Thurman within 18 feet of the right-of-way for Tyler Road. Although the area to the east is undeveloped at this time, the majority of traffic will probably be turning left onto Tyler. With more than one vehicle waiting to turn left, it will be extremely difficult to exit from the parking lot of the Child Care facility at peak traffic hours.

In later conversations with a representative of Woodson Development Company, it is anticipated that the applicant will submit a revised site plan so that the building will be located further to the south. It is also a possibility that the applicant will be requesting variances of the front and side yard setbacks for off-street parking purposes in order to better utilize the site. There is also a possibility the applicant will request a variance of the required number of off-street parking and loading spaces.

RECOMMENDATION:

It is the opinion of the Secretary that a Child Care Facility of this size is inappropriate at this location and that the application should be denied.

BOARD OF ZONING APPEALS  
Tenth Floor - City Hall  
455 North Main, Wichita, Kansas 67202

February 27, 1981

NOTICE TO ADJOINING PROPERTY OWNERS:

CASE NO. BZA 7-81

As required by law, all property owners of record, within 200 feet of a property to be considered for an exception or variance by the Board of Zoning Appeals, are to be notified of the public hearing. An application has been filed by Thurman Smith, 10300 West Central, Wichita, Kansas, requesting an exception.

Pursuant to Section 2.12.590.C, of the Code of the City of Wichita, the applicant is requesting an exception to permit the establishment of a day care center on property zoned "A" Two-family Dwelling District. A legal description of the applicant's property is as follows:

Lots 1 & 2, Block 2, Northwest Village Addition to Wichita, Sedgwick County, Kansas. Generally located on the northwest corner of Thurman and Robin Road.

This application has been assigned Case No. BZA 7-81. It will be considered by the Board of Zoning Appeals on March 24, 1981, at 1:30 p.m. in the Board Room, First Floor of City Hall, 455 North Main Street, Wichita, Kansas. If you have no interest or objections regarding the requested variance you have no obligation to appear or comment. If you desire to appear at the Board meeting, you are invited to do so, either in person or by agent or attorney.

It should be noted that the Citizen Participation Organization Area Council may consider this case at its next meeting. Additional information about such a meeting may be obtained by calling the CPO Office, 268-4516.

If you have any questions about the application, please feel free to call the Wichita-Sedgwick County Metropolitan Area Planning Department at 268-4421.

Jack H. Galbraith  
Secretary

BZA CASE NO. 7-81

2 NOTICES SENT TO APPLICANT/AGENT

9 NOTICES SENT TO MAPC

1 NOTICES SENT TO CPO

9 NOTICES SENT TO ADJOINING PROPERTY OWNERS

21 TOTAL NOTICES SENT 2-27-81

BOARD OF ZONING APPEALS  
CITY OF WICHITA, KANSAS

CASE NO. 7-81  
FILED \_\_\_\_\_

APPLICATION FOR EXCEPTION

I. Name of Applicant THURMAN SMITH  
Mailing Address 10300 W. Central Phone 722-9905  
Name of Authorized Agent Tim Ewald  
Mailing Address 3705 E. Douglas Phone 681-1661  
Relationship of applicant to property is that of owner  
(Owner, Tenant, Lessee, Other)

II. Application is made for an exception as provided in Section  
2.12.590.C, Code of the City of Wichita, Kansas, to permit  
the establishment of Day Care Center

\_\_\_\_\_ ,  
on property zoned Duplex "A"  
located Northwest Corner of Thurman and Robin Road  
and legally described as: Lots 1 & 2, Block 2, Northwest Village  
Addition to Wichita.

\_\_\_\_\_ , in the City of Wichita.

- III. The applicant herein, or his authorized agent, acknowledges:
- a. That he has received an instruction sheet concerning the filing and hearing of this matter;
  - b. That he has been advised of the fee requirements established by Section 2.12.580 of the Code of the City of Wichita (Ordinance No. 36-596); and that the appropriate fee is herewith tendered;
  - c. That all documents are attached hereto as noted in paragraphs 2, 3, and 4 of the instructions;
  - d. That he has been advised of his right to bring action in the District Court of Sedgwick County to appeal the decision of the Board.

Applicant Thurman Smith

Authorized Agent Tim Ewald

OFFICE USE ONLY: Received in Office of Secretary, Board of Zoning Appeals, 10:45 (a.m. ~~p.m.~~), FEB. 23, 1981  
together with appropriate fee of 20.00.

Signed J. Lytle

## H&K Investment Co.

FIFTH & TOMPKINS • P.O. BOX 879 • ST. CHARLES, MO. 63301  
PHONE: 314-724-9541 • 314-946-6343

February 20, 1981

Office of the Secretary  
Board of Zoning Appeals  
Tenth Floor, City Hall  
455 North Main  
Wichita, Kansas 67202

Gentlemen:

We are the primary investment and development arm of Kinder-Care Learning Centers in the State of Kansas.

Relative to the application to the Board of Zoning Appeals for a special use permit to operate a pre-school and day-care center, I was asked to supply the Board with information evidencing our compliance with all necessary standards of the State Day-Care Licensing requirements. I was advised by Kinder-Care that the company has been licensed by the Department of Health and Environment since April, 1979. At present, Kinder-Care operates units as follows:

|             |   |
|-------------|---|
| Kansas City | 1 |
| Lansing     | 1 |
| Olathe      | 2 |
| Topeka      | 2 |
| Lenexa      | 1 |

Enclosed for your further review is the 1980 Annual Report of Kinder-Care. Should you have any further questions, please write or call.

Very truly yours,

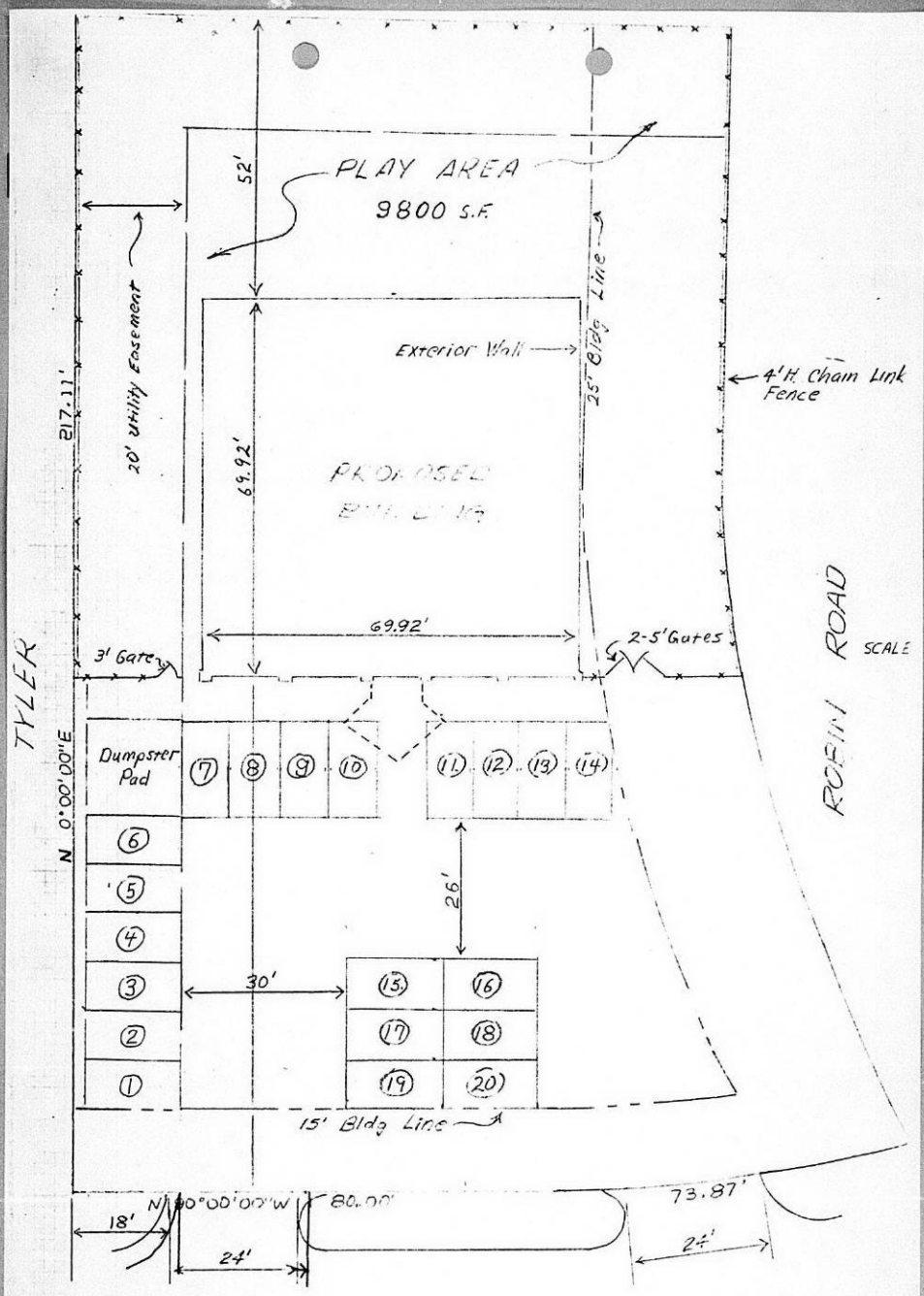
H & K INVESTMENT COMPANY



S. Robert Elkan

SRE/cdh

Enclosures



ROEIN ROAD SCALE

THURMAN

W. S. Kelly  
 Civil Engineer

2161 LACKLAND ROAD ■ ST. LOUIS, MISSOURI 63141 ■ PHONE 314/434-7300

**AMTV**

ALAN M. VOORHEES  
& ASSOCIATES, INC.

TRANSPORTATION, ENVIRONMENTAL & URBAN PLANNING CONSULTANTS

March 20, 1978

Mr. Allan K. Hoffman  
Allan R. Hoffman, Developers  
2786 North Highway 67  
St. Louis, Missouri 63033

Dear Mr. Hoffman:

I have conducted a traffic engineering study of the traffic flow characteristics of a Kinder Care facility on Apollo Drive in Southwest St. Louis County immediately adjacent to State Route 141. In order to conduct the study I felt it necessary to talk to management personnel of the Kinder Care organization. I spoke to Ranny Campero, Regional Supervisor in charge of Kinder Care operations in Missouri, Kansas, Nebraska and portions of Illinois. She explained to me the nature of their business. As I understand it, they are required to obtain a license to operate their facility in each state. The license that is normally issued allows them to care for a maximum of 100 children per day in their facility. The manner in which the facility operates is one in which parents bring the child to the center at their convenience in the morning dropping them off somewhere between 6:30 a.m. and 9:00 p.m. Unlike typical public or private schools there is no prescribed starting time of school and closing time. Parents can bring the children and pick them up at their convenience based on their particular needs.

My traffic engineering study consisted of observing traffic flow at the facility on Apollo Drive as I was told this is a typical facility which is licensed to handle 100 children. I observed traffic flow from the period of 6:30 a.m. until 9:00 a.m. and again from 4:00 p.m. until 6:00 p.m. on Thursday, March 16. The following items contain the findings of my observations during these time periods.

- Upon arriving at the site at approximately 6:30 a.m. I found three vehicles parked in the lot.
- During the two and one half hour period from 6:30 until 9:00 I counted a total of 50 vehicles which passed through the facility.

St. Louis  
San Diego  
Washington, D.C.

Denver  
Honolulu  
Melbourne

Chicago  
Toronto  
Los Angeles

London  
Cleveland  
San Francisco

Orlando  
Atlanta  
Boston

Zurich  
Caracas  
Sao Paulo

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March 20, 1978  
Mr. Allan R. Hoffman  
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- The arrival of vehicles were uniformly spread throughout this two and one half hour period. The maximum number of vehicles in a ten minute increment consisted of seven vehicles passing through the facility. This only occurred twice during the two and one half hours.
- Traffic operation within the site was quite uniform and without any conflicts which would cause internal disruption to traffic flow.
- The traffic flow through the site was such that no congestion was created internally which would cause backups of traffic onto Apollo Drive.

During the afternoon period, the following traffic flow characteristics were noted:

- 52 vehicles passed through the facility during the two hour period.
- Traffic flow was reasonably uniform throughout the two hour period. There were more vehicles passing through between the hours of 5:00 to 6:00 than from 4:00 to 5:00.
- The maximum number of vehicles which passed through during a ten minute increment was 11 vehicles.
- At no time during the two hour period did internal traffic flow reach a point where congestion existed.
- At no time during the two hour period did internal traffic flow cause any problems which would create a situation wherein traffic would be backed onto Apollo Drive.

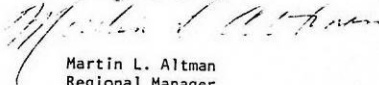
A summary of our observation of the Kinder Care facility on Apollo Drive is that the volumes of traffic passing through this facility during the morning and evening periods are quite small being 50 vehicles in a two and one half hour period and 52 vehicles in a two hour period. This amount of traffic was handled adequately internally and in no way created a problem on the adjacent street.

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Unless conditions would change dramatically, that is the number of people patronizing the facility would increase, this facility causes no traffic flow problems on the adjacent street. Further parking spaces, ten at this location, was adequate to meet the needs of the facility as there was always a space or two available for the amount of traffic entering at any one time.

Yours very truly,



Martin L. Altman  
Regional Manager

MLA/bn

STATEMENT OF OWNERSHIP

STATE OF KANSAS        )  
                              ) SS  
SEDGWICK COUNTY        )

The undersigned duly bonded and qualified abstractor within and for the County and State aforesaid, does hereby certify:

That we have examined the records in the office of the Register of Deeds of Sedgwick County, Kansas, with reference to the ownership of the following property in Sedgwick County, Kansas viz:

Record Owners within 200 feet of:  
Lots 1 and 2, Block 2, NORTHWEST  
VILLAGE to Wichita, Sedgwick  
County, Kansas.




And from such examination find that the owners thereof are as set opposite the description of the property below, viz: (Addresses as given are furnished as a service and not certified.)

| <u>LOTS AND BLOCKS</u>  | <u>ADDITION</u>      | <u>OWNERS</u>   |
|---|----------------------|---|
| Lots 1 and 2, Block 2,<br>and Lots 6, 7, 8 and<br>9, Block 1, | NORTHWEST<br>VILLAGE | Thurman Smith and<br>Inland Investment Co.,<br>Inc.<br><i>Def</i><br>%Slawson Oil<br>200 Douglas Building<br>Wichita, Kansas 67202          |
| Lots 1 and 2, Block 3,  | NORTHWEST<br>VILLAGE | ✓ Jay W. Russell<br>10302 Alamo Court<br>Wichita, Kansas 67212  |
| Lot 5, Block 1,   | NORTHWEST<br>VILLAGE | ✓ Inland Investment Co.,<br>Inc. and<br>Northwest Village<br>Associates<br>%Larry Chambers<br>200 Douglas Building<br>Wichita, Kansas 67202 |





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| <u>LOTS AND BLOCKS</u>  | <u>ADDITION</u>          | <u>OWNERS</u>  |
|---|--------------------------|--|
| Lot 6, Block 12,  | WESTLINK<br>VILLAGE 11TH | John A. & Betty J.<br>Robinson<br>1660 Callahan<br>Wichita, Kansas 67212       |
| Lot 7, Block 12,  | WESTLINK<br>VILLAGE 11TH | Percy A. & Silvia Ross<br>1648 Callahan<br>Wichita, Kansas 67212               |
| Lot 8, Block 12,  | WESTLINK<br>VILLAGE 11TH | Jimmy J. & V. Chris<br>Lucas<br>1636 Callahan<br>Wichita, Kansas 67212         |
| Lot 9, Block 12,  | WESTLINK<br>VILLAGE 11TH | Arlie A. & Mary Elma<br>Johnson<br>1624 Callahan<br>Wichita, Kansas 67212      |
| Lot 10, Block 12,   | WESTLINK<br>VILLAGE 11TH | Waunita M. Hemphill<br>1608 North Callahan<br>Wichita, Kansas 67212            |
|  Lot 1, Block A, | WESTLINK<br>VILLAGE 15TH | Thurman W. & Judy A.<br>Smith<br>8805-8807 Thurman<br>Wichita, Kansas 67212    |
| Lot 2, Block A,   | WESTLINK<br>VILLAGE 15TH | David E. & Kathleen B.<br>Childs<br>8811-8813 Thurman<br>Wichita, Kansas 67212 |

Commencing at a point 1320 feet West of the Northeast Corner of the Southwest Quarter of Section 9, Township 27 South, Range 1 West; thence West along the North boundary line of said Southwest Quarter to the Northwest Corner of said Southwest Quarter; thence South along the West boundary line of said Southwest Quarter for a distance of 953.3 feet; thence East N 88° 41' W for a distance of approximately 1353.02 feet to a point on the West line of the above described tract; thence North a distance of approximately 953.06 feet to the point of beginning, except that portion dedicated to or acquired by Sedgwick County for roadway purposes.

Wesley Medical Endowment  
Foundation  
550 North Hillside  
Wichita, Kansas 67214

DATED at Wichita, Kansas, this 30th day of January, 1981 at 7:00 A.M.

FIDELITY TITLE COMPANY, INC.

By *Dwight A. Schulke*  
Vice President

Tracer No. 54378



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FORM 20-21

PAYMENT NOTICE  
 City of Wichita

| Bldg. | Use of Str.      | Code Bks   | Copies |
|-------|------------------|------------|--------|
| Elec  | Elev. Insp.      | Hse Moving | Lic.   |
| Mech  | Boiler Insp.     | Pav. Cuts  | Cert.  |
| Pibg  | Exam Fees        | Sewer      | Elev.  |
| Signs | Plan Rev. (P.W.) | Cement     | M.S.P. |
|       | Planning         |            |        |

| DESCRIPTION     | AMOUNT |
|-----------------|--------|
| City of Wichita | 200.00 |

NAME *Mark King*

ADDRESS *4107 K... K... 67117*

FUND *110-40071-00* DUE DATE *1-17-00*

COMMENTS

DATE *1/27/01* BY *H. Lyth*