



**Testimony of
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Executive Vice President - Chief Financial and Administrative Officer, for Wawa,
Inc.
Before the U.S. Senate Committee on Banking, Housing and Urban Affairs
Hearing on Job Growth Through Capital Formation
December 1, 2011**

I. Introduction

Chairman Johnson, Ranking Member Shelby and distinguished members of the Committee, thank you for holding this hearing on what I believe are two of the most pressing issues our nation faces, job creation and capital formation. My name is Christopher (Chris) T. Gheysens. I am currently Executive Vice President - Chief Financial and Administrative Officer, for Wawa, Inc. ("Wawa"). I have been selected to become Wawa's next President and Chief Executive Officer effective in the next year. I am here today to testify on behalf of Wawa.

As Chief Financial and Administrative Officer for Wawa, my primary responsibilities include leading all aspects of the Financial, Legal and Human Resource functions. I became CFO in January 2006 and have worked at Wawa for over fourteen years, previously holding positions of Director of Planning & Analysis and Retail Accounting Manager.

Prior to joining Wawa, I worked in the audit practice at Deloitte LLP in Philadelphia. During my four years with Deloitte, I focused primarily on the retail industry, serving clients such as Reading China and Glass, The Wall Music, The Pep Boys and Wawa.

I graduated from Villanova University with a Bachelor of Science degree in Accountancy in 1993. I obtained a Master's of Business Administration from Saint Joseph's University and am a Certified Public Accountant in New Jersey.

I have been an active member of the Board of Directors and Finance Committee for the Southeastern Pennsylvania Chapter of the American Red Cross since June 2009.

While I understand the Committee will examine several bills related to job creation and capital formation, and I support the purpose behind these bills, I am here to speak specifically to Wawa's support for S. 1824, the Private Company Flexibility and Growth Act, introduced by Senators Toomey and Carper. This legislation is cosponsored by Senators Warner, Kirk and Johanns, who are also members of this Committee, as well as Senator Scott Brown.

I would like to thank Senator Toomey and all of the members of the Committee who have cosponsored S. 1824. Wawa is encouraged by the strong bi-partisan support of this legislation that will benefit all Americans in this time when job creation and economic stimulus are most critical.

II. Wawa Information and History

Wawa is headquartered in Senator Toomey's home state of Pennsylvania, in an area that is 20 miles southwest of Philadelphia. Wawa is a privately-held company that was founded over 200 years ago by the Wood family as an iron foundry in New Jersey. Toward the end of the 19th century, owner George Wood took an interest in dairy

farming and the family began operating a small dairy in Wawa, Pennsylvania. As home delivery of milk declined, Grahame Wood, George's grandson, opened the first Wawa Food Market in 1964 as an outlet for our dairy products, the same year that the 500 shareholder limit was put in place. This year marked our 47th year in the retail business. Throughout our history, we have maintained several deeply-held beliefs, not the least of which are to remain a privately held company and to promote shared ownership with our associates. Private ownership allows us to take a long-term point of view and make long-term investments to ensure our business is sustainable. The founding family has always believed in sharing ownership with our associates. The belief in shared ownership is a part of Wawa's DNA and fosters an ownership mentality in our associates, creating a significant competitive advantage by having "owners," not employees.

We are considered one of the most successful privately-held companies in America, having evolved into a regional convenience store chain with over 590 stores in Pennsylvania, New Jersey, Virginia, Delaware and Maryland, three of which are the home states of members of this esteemed Committee, Senators Toomey, Menendez and Warner. Wawa employs approximately 18,000 associates. Wawa also recently broke ground for our first store in Florida, with plans to construct as many as 100 stores in Florida over the next five years, expending over \$500 million in Florida alone and creating approximately 3,000 new jobs at Wawa in the local economy.

Through the years, Wawa has consistently invested in the communities in which we operate. Our stores represent long-term investments, and our growth has fueled the success of other businesses and organizations in the community. Wawa's connection

with the community goes well beyond that of a typical business. Being a good neighbor and recognizing our responsibility to the communities in which we live and work is an equally important part of our business. Every year, we commit millions of dollars in contributions in financial grants from the Wawa Charities Fund, we conduct in-store fundraising campaigns that have a significant, positive impact on regional and local charities and we support numerous special events through product donations and volunteering.

III. The Private Company Flexibility and Growth Act

I would like to commend this Committee for its consideration of the Private Company Flexibility and Growth Act. This legislation would amend the Securities Exchange Act of 1934 (the “Act”) to increase a shareholder registration threshold that has not been updated since 1964. While the United States has undergone vast changes since 1964, including Wawa’s dramatic expansion from one store to nearly 600, this shareholder threshold has stayed the same. This proposed legislation will provide companies the flexibility to remain privately-held, while continuing to grow and remain strong drivers of economic development and prosperity.

Section 12(g) of the Act requires a company to register its securities with the U.S. Securities and Exchange Commission (the “SEC”) if it has more than 500 shareholders of record and assets exceeding \$10 million. As Wawa has grown and its shareholder base has increased, we recognize that the 500 shareholder limit will cause our organization to face a significant issue in the not-so-distant future, in that we will be required to choose between becoming a public reporting company and initiating a costly, time consuming

corporate restructuring. Our culture of shared and private ownership would guide us to choose the costly restructuring at the expense of future growth.

The Toomey/Carper Private Company Flexibility and Growth Act would raise the existing 500 shareholder threshold to 2,000 shareholders before a company would be required to register under the Act. The bill would also exempt shares awarded to employees pursuant to compensation plans from this registration threshold. Wawa believes this legislation is worthy of your support because it would provide additional flexibilities to a variety of companies, some like Wawa that are well established, and others that are not. I am confident that the additional flexibility offered to privately held companies under the proposed legislation will allow such companies to use scarce resources on research and development, new store growth and job creation, rather than on regulatory compliance costs. In summation, by updating this almost five-decade old threshold, Congress will take needed steps to foster continued growth for private companies, like Wawa, allowing them to continue to add jobs, build new stores and be strong economic drivers.

Wawa, like many other privately held companies, has made the strategic decision to remain private for competitive and cultural reasons. Based on Wawa's 200 plus years of experience, the company has seen that privately held companies can focus on long-term results, rather than being concerned solely with short-term results in order to meet Wall Street analysts and other third-party expectations. This long-term focus by privately held companies, in turn, can create prosperity throughout the economy through growth,

innovation and investment, and has a multiplier effect on suppliers, builders, contractors and vendors that support their businesses.

In the case of Wawa, we believe that we are creating value for our customers, more sustainable growth for our company and a more stable working environment for our associates. Specifically, it is our belief that privately held companies are able to create more generous benefit packages for their employees, since they do not have to be as concerned with short-term earnings. In fact, during the most recent recession and extended period of weak corporate and overall economic growth, Wawa has been able to maintain generous compensation and benefits, while avoiding layoffs because of our long-term view.

In addition, privately-held companies are more likely to have Employee Stock Ownership Plans (ESOPs), which enable employees to share in the growth of the company by having a personal financial stake in the business. This, in turn, creates a more engaged employee since they benefit directly from the company's success. Wawa also provides senior level management equity through stock-based compensation plans. These plans allow Wawa to attract and retain talented associates that help drive growth and, ultimately, create jobs. Our ability to utilize this form of compensation becomes limited as we approach the 500 shareholder limit. One manner in which to address the 500 shareholder limit is the implementation of a reverse stock split. Such a mechanism would take as much as \$40 million of capital away from new store growth and likely eliminate as shareholders many of the associates these plans are designed to attract and retain.

Public reporting companies in the U.S. are required to meet financial reporting requirements associated with SEC reporting. A 2007 law firm study of public company compliance costs indicates that the average annual cost of compliance for companies with under \$1 billion in annual revenue could approach \$2.0 million or more. A privately-held company has no such requirements, enabling it to invest the funds it would otherwise pay in the form of very expensive professional fees into capital assets and job creating activities. We recognize that raising the shareholder limit could add to the pool of the investing public who would not, by regulation, have access to certain basic financial disclosure.

We value and understand the need to provide shareholders current financial information. This is consistent with our culture of sharing ownership and treating our associates as owners. At Wawa, we provide our shareholders and associates access to quarterly financial updates and detailed annual financial reports that keep them informed of our company's progress and health.

IV. Conclusion

We have always believed that being privately held is better for our associates, our shareholders and our company's long-term growth. Our culture of teamwork and our family atmosphere is a direct reflection of our private ownership and heritage. The short-term pressures and interference of a third party are not consistent with our values or the culture that has enabled us to flourish for more than 200 years. Without an increase in the shareholder limitation, Wawa would need to take a significant amount of capital away from activities that will drive job creation and economic growth for our communities.

We hope to have the flexibility needed to be able to continue to grow, add jobs and be an economic driver in our communities for another 200 years.

Thank you again for the opportunity to testify today. I look forward to answering any questions that the Committee members may have.