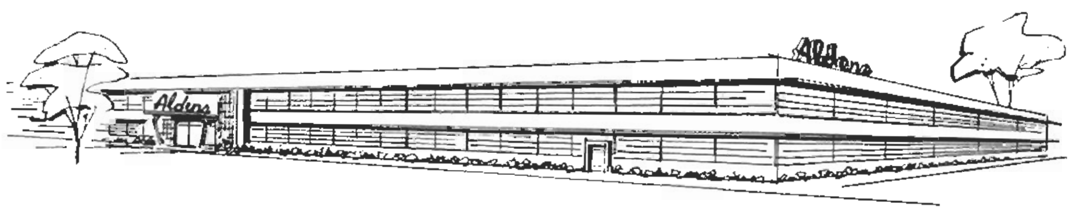
ALDENS

ANNUAL REPORT



1959

for the fiscal year ended January 31, 1960

ALDENS MANAGEMENT

directors

R. L. Arnheim, *Financial Consultant, Chicago*
C. E. Butler, *Business Consultant*
Tobé Coller Davis, *President, Tobé and Associates, Inc.*
R. W. Jackson, *President, Aldens, Inc.*
G. P. Madigan, *Vice President, Madigan Brothers, Inc., Chicago*
H. V. McNamara, *President, National Tea Co., Chicago*
M. A. Riskind, *Partner, D'Ancona, Pflaum, Wyatt & Riskind, Chicago*
E. H. Rosenthal, *Real Estate Investments*
Lawrence K. Schnadig, *President, International Furniture Company, Chicago*
J. C. Staehle, *Vice President, Aldens, Inc.*
H. J. Stentiford, *Vice President, Aldens, Inc.*
W. P. Wiseman, *Vice President & Trust Officer, Chicago Title & Trust Co.*

officers

R. W. Jackson, *President*
R. E. Riley, *Vice President*
J. C. Staehle, *Vice President*
H. J. Stentiford, *Vice President*
G. R. Worley, *Vice President, Secretary, Treasurer*
J. A. Gross, *Assistant Secretary*

SECURITIES INFORMATION

Transfer Agent—Common—Morgan Guaranty Trust Company of New York
Registrar—Common—The Chase Manhattan Bank of New York
Transfer Agent—Preferred—The First National City Bank of New York
Registrar—Preferred—Bankers Trust Company of New York
Trustee—5% Convertible Debentures—
First National City Trust Co.
Conversion Agent—5% Convertible Debentures—
Morgan Guaranty Trust Company of New York

AUDITORS

Certified Public Accountants—David Himmelblau & Co., Chicago

COUNSEL

General Counsel—D'Ancona, Pflaum, Wyatt & Riskind, Chicago

STOCK EXCHANGE DATA

Preferred Stock, Common Stock and 5% Convertible Debentures
Listed on New York Stock Exchange

ALDENS

ANNUAL REPORT / *highlights*

	1959	1958
Earnings per Common Share	$ 4.35 (1)	$ 2.40 (2)
Net Sales	114,682,148	98,419,644
Net Profit before Taxes	5,861,931	3,772,028
Federal Taxes on Income	2,482,000 (1)	1,850,000
Net Profit after Taxes	3,379,931 (1)	1,922,028
Dividend Rate per Common Share		
Cash	1.20	1.20
Stock	3%	2%
Dividends paid per Preferred Share	4.25	4.25
Book Value per Common Share	31.55	29.62
Current Ratio	2.82	3.06
Shares outstanding		
Common Stock	750,307	598,028
Preferred Stock	26,770	28,020
Number of shareowners		
Common Stock	4,200	3,535
Preferred Stock	400	440
Number of Catalog sales stores and offices	65	60
Number of retail stores	13	13

(1) Includes non-recurring special credit of $460,000, equivalent to $.61 per Common Share.

(2) Adjusted to reflect 1959 common stock dividend and issuance of Common Shares resulting from conversion of Debentures

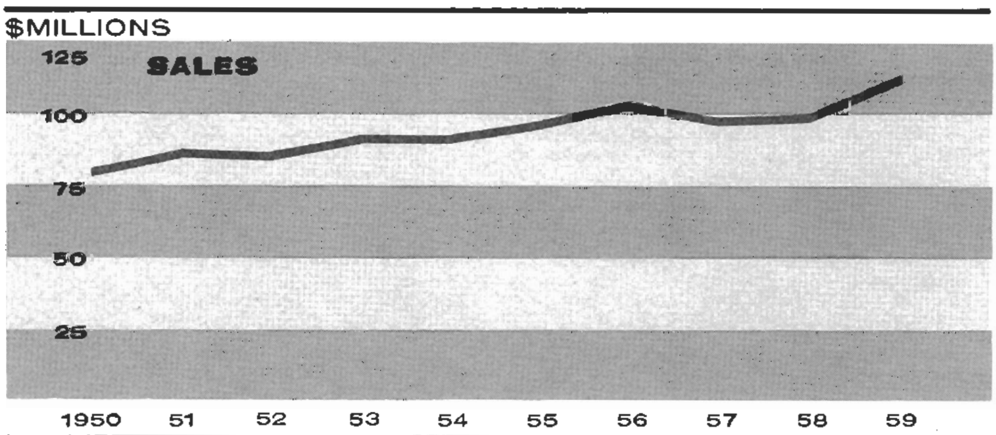
The President's Report to the Shareholders

SALES. In 1959, our seventieth year, we attained the highest sales volume in our history and the highest earnings. Sales totalled $114,682,148, compared with $98,419,644 in 1958, an increase of 16.5%. We realized steady improvement throughout the year, for every month during the year sales were higher than for the corresponding month in the previous year.

EARNINGS. Consolidated profit before federal taxes on income for the year 1959 amounted to $5,861,931, or 5.1% of sales, compared with $3,772,028, or 3.8% of sales in 1958. After provision for federal taxes, consolidated net income for the year was $3,379,931, compared with $1,922,028 in the previous year. Profit per common share, after preferred dividends, was $4.35, which compares with $2.40 last year. This 1959 after-tax profit includes a non-recurring credit of $460,000, or 61c a share, which is a reduction in our provision for federal taxes for that year, resulting from the conversion of our customer accounts to revolving credit. Our 1959 profit, before the inclusion of this credit, is still the highest in the company's history.

DIVIDENDS. The year 1959 is the 26th consecutive year in which Aldens has paid dividends. Cash dividends per common share totalled $1.20, compared with the same rate in 1958. Regular cash dividends totalling $4.25 were also paid on our preferred shares.

On January 1, 1960, a 3% common stock dividend was paid. This compares with 2% in the previous year. We took this means of extending to our shareholders an increased participation in the profits of the company, so that cash funds might be retained in the business to help finance our expanding credit sales.

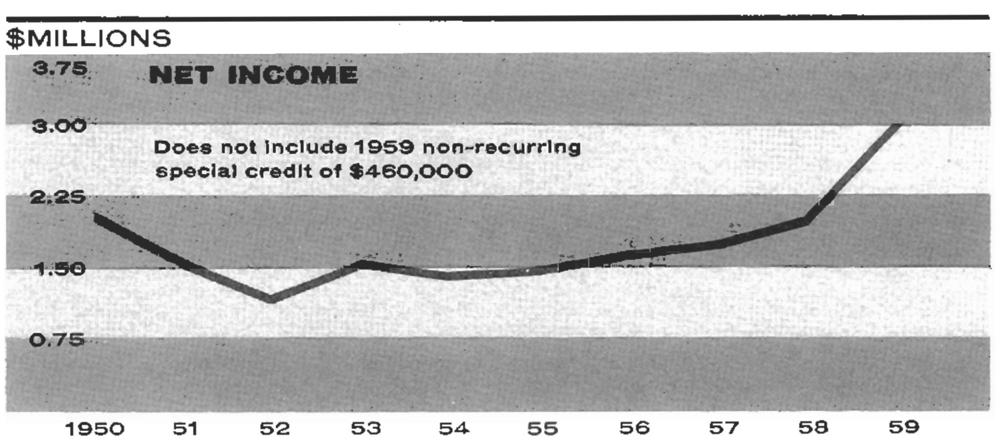


It is our intention to continue the present annual cash dividend rate of $1.20 per common share, as well as the 3% common stock dividend, if our earnings continue their present trend.

CREDIT SALES AND ACCOUNTS. Credit sales rose to approximately 44% of our total sales, compared with 41% last year, an increase which accounts for a large part of our total increase in sales volume over the previous year. This is demonstrated by the increase of 27.6% in credit sales over last year, compared with our total sales increase of 16.5%.

Credit selling is important to us in growing with our national economy in which consumer credit has become an indispensable part of the way of doing business. It is important to us in our production of profit, for it brings us an average order more than three times the size of the average cash or COD order, which in turn reduces our handling costs. It is important, too, in bringing us a more loyal customer who in 1959 purchased an average of four times as much as a non-credit customer.

The conversion of our customer accounts to the revolving credit method of account handling was completed in November. With this method we produce a monthly statement for the customer, which shows not only the transactions in the account and the open balance, but also the additional amount which may still be bought to bring the account to the full credit limit. We may also enclose direct mail pieces, calling attention to special promotions and sale items. With the conversion to revolving credit we adopted a simplified table of credit terms, showing one small down payment to open the account, a monthly payment keyed to the peak outstanding balance in the account, and from twelve to twenty-four



months for repayment. This simplified table of credit terms gives our customers a longer repayment period than previously.

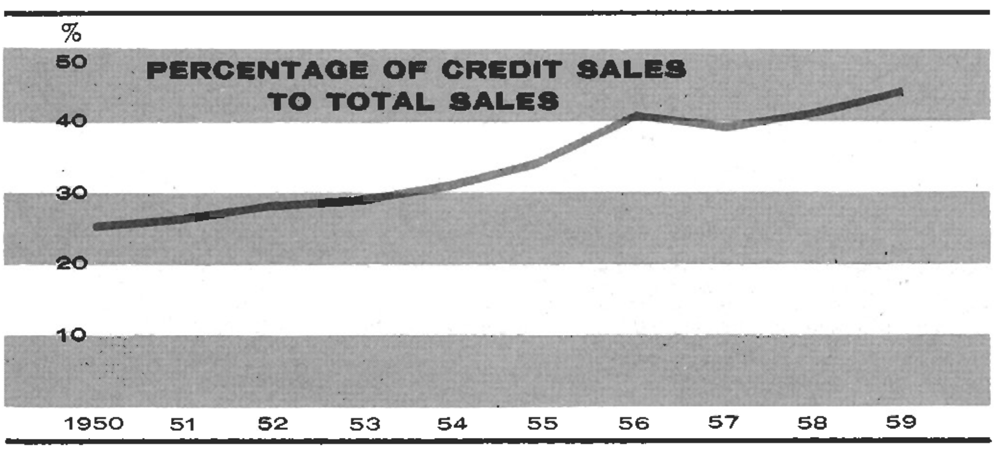
This new method of billing also permits a monthly computation of our nominal credit service charge on the outstanding balance, replacing our previous method of billing a fixed carrying charge for credit service at the time the order was charged to the customer's account. We believe this to be fairer and easier for the customer, who now pays only for the amount of credit used.

There have been expenses incidental to the conversion of our accounts to revolving credit which have served in some measure to reduce our profit in the year just passed. By the same token, however, we expect that our profits in the years ahead will be enhanced by this change.

We continue to maintain the caliber of our accounts at a very satisfactory level, and we have experienced no unusual delinquency as a result of our credit expansion. As has been our practice in the past, we have created reserves for uncollectible accounts, based on an aging analysis of individual accounts, and we believe these reserves to be adequate.

FINANCING. To accommodate our expanding receivables additional financing was needed. Our financing program began in the spring with the call for redemption of our 4½% Convertible Subordinated Debentures, due September 1, 1970. All but a very small percentage of these Debentures were converted into common stock, and our new offering of Debentures early in the fall was readily accepted (these are 5% Convertible Subordinated Debentures, due August 1, 1979).

Arrangements were also successfully completed for $23,000,000 in long-term loans, of which sum $7,000,000 was received by the company prior to the end of the fiscal year, with the balance to be received by May 10, 1960. This also enables us to repurchase that portion of our accounts receivable formerly sold to a group



of banks. We have increased bank lines for short-term borrowings, as may be needed, as well as having formed Aldens Acceptance Corporation, a wholly owned subsidiary, during the year to provide a vehicle for further financing of receivables, as required. The successful completion of these arrangements provides adequate and sound financing for our planned increase in receivables in 1960 and further credit expansion.

NET WORTH. On page 15 of this report you will find a chart which demonstrates at a glance the healthy and continuing growth of our net worth. Through the years Aldens has shown dollar sales per dollar of net worth—sales per invested dollar—almost double the rest of the mail order industry. This is significant in analyzing our operation and our profit potential.

INVENTORIES AND COMMITMENTS. Merchandise inventory at January 31, 1960 totalled $14,575,142, compared with $12,218,131 last year, an increase of 19%. This increase stems from our higher volume of sales, which must be serviced by larger inventories, and also from comparison with an unusually low inventory the previous year. Our merchandise commitments at year-end were $3,882,029, compared with $5,346,001 a year ago, this decrease reflecting the later Easter season in 1960.

RETAIL DIVISION. Profits in our retail store division are the highest in its history. Each of the thirteen junior department stores which comprise this division is on a profitable basis, and, combined, are operating above generally accepted standards of satisfactory profit performance. Total profits for the division are more than double those for the previous year. We plan expansion of our retail store operation by the acquisition of additional well established businesses, as stores which meet our requirements are made available to us.

CATALOG SALES STORES AND TELEPHONE SALES OFFICES. Important strides have been made in this division of our business during the past year. Sales increased 24%. The number of outlets grew to 65 from the previous year's 60. Several of our catalog sales stores were moved to better locations, and most have undergone refurbishing. We have a group of modern and attractive catalog sales stores, made inviting by good location, adequate parking facilities, and the convenience of credit accommodations, will-call service, direct-to-door delivery by local truck, and representative merchandise on display. These stores are situated primarily in midwestern locations, within an area 400 miles from Chicago, for efficient servicing by our administrative personnel. Our expansion plans for this division include the opening of additional locations at the rate of one each month, which we have found to be at as rapid a pace as profitable sites can be found and personnel properly trained.

EMPLOYEE RELATIONS. We have extended our union contract for the employees of the Mail Order Division for a period of five years, and we look forward to continued harmonious employee relationships.

THE FUTURE. Every indication is that the national economy will continue to prosper, and we believe that our aggressive merchandising and promotional program will keep pace with this continuing upward trend. While in 1960 we will feel the burden of increased postal rates, our spring catalog and other selling media have brought a very satisfactory initial response, and we expect good consumer acceptance to bring our earnings to a level beyond the year just passed. The financing arrangements completed in 1959 will accommodate still further credit expansion. The problems incident to our conversion to revolving credit are behind us. Our customer list is showing a healthy growth. Our fall catalog will carry approximately one hundred more pages than last year, with an even greater abundance of color. The enthusiasm and vitality of our organization point to a good future for Aldens.

We could not have realized the progress we have made without the loyalty and support of our employees in every division, our management, our directors, our vendors. My full recognition and thanks are extended to all of these and the many others who contribute to the success and growth of our business.

Sincerely,

RWJackson

ALDENS, INC. *and consolidated subsidiaries*

	Fiscal Year Ended January 31, 1960	Fiscal Year Ended January 31, 1959
STATEMENT OF CONSOLIDATED INCOME		
NET SALES	$114,682,148	$98,419,644
DEDUCT:		
Cost of goods sold (including publicity, occupancy and buying expense)	$ 90,616,281	$78,040,982
Selling, general and administrative expenses	15,227,420	13,408,653
Building maintenance and repairs	219,323	163,507
Depreciation and amortization	472,862	498,423
Social security, property and sundry taxes	1,063,337	838,546
Interest expense	1,482,894	1,245,085
	$109,082,117	$94,795,196
	$ 5,600,031	$ 3,624,448
MISCELLANEOUS INCOME (net)	261,900	147,580
Income before provision for federal taxes on income	$ 5,861,931	$ 3,772,028
PROVISION FOR FEDERAL TAXES ON INCOME (Note 3)	2,942,000	1,850,000
NET INCOME FOR YEAR	$ 2,919,931	$ 1,922,028
SPECIAL CREDIT (Note 3)	460,000	—
NET INCOME AND SPECIAL CREDIT	$ 3,379,931	$ 1,922,028
STATEMENT OF CONSOLIDATED PAID-IN SURPLUS		
Balance at beginning of year	$ 1,956,489	$ 1,726,768
Excess of par value over cost of preferred shares cancelled during year	19,094	11,307
Excess of conversion price over par value of common shares issued upon conversion of convertible subordinated debentures less net expenses—		
4½% series	2,557,958	5,488
5% series	11,540	—
Excess of market value over par value of common shares issued as dividend on common stock (transferred from retained earnings)	853,360	212,926
Balance at end of year	$ 5,398,441	$ 1,956,489
STATEMENT OF CONSOLIDATED RETAINED EARNINGS		
Balance at beginning of year	$ 13,301,990	$12,476,394
Net income for year	3,379,931	1,922,028
	$ 16,681,921	$14,398,422
Cash dividends paid—		
Common stock ($1.20 per share)	$ 834,860	$ 703,329
Preferred stock ($4.25 per share)	117,484	121,552
	$ 952,344	$ 824,881
Market value of common shares issued as dividend on common stock (transferred to capital stock and paid-in surplus)	962,625	271,551
	$ 1,914,969	$ 1,096,432
Balance at end of year	$ 14,766,952	$13,301,990

ASSETS

balance sheet of ALDENS, INC.

	January 31, 1960	January 31, 1959
CURRENT ASSETS:		
Cash resources—		
Cash on deposit and on hand	$ 3,124,052	$ 3,556,602
U. S. Government securities plus accrued interest	46,735	46,736
	$ 3,170,787	$ 3,603,338
Accounts receivable—		
Customers' installment accounts (Note 2)	$45,580,737	$34,270,513
Less—Accounts sold	15,000,000	15,000,000
	$30,580,737	$19,270,513
Other customers' accounts	845,106	765,553
Miscellaneous accounts	611,041	460,092
	$32,036,884	$20,496,158
Less—Reserve for doubtful accounts and collection expense (Note 2)	2,412,178	2,838,450
	$29,624,706	$17,657,708
Inventories (at lower of cost or market)	$15,281,900	$12,890,575
Advances on Spring season catalogs and expenses	$ 2,893,478	$ 2,550,616
TOTAL CURRENT ASSETS	$50,970,871	$36,702,237
OTHER ASSETS:		
Investment in real estate subsidiaries (at cost) (See attached statements and Note 1)	$ 615,000	$ 615,000
Sundry	282,891	266,283
	$ 897,891	$ 881,283
FIXED ASSETS:		
Real estate, leasehold improvements and equipment (at cost)	$ 8,221,115	$ 7,850,483
Less—Reserves for amortization and depreciation	3,864,490	3,930,834
	$ 4,356,625	$ 3,919,649
	$56,225,387	$41,503,169

and consolidated subsidiaries

LIABILITIES AND CAPITAL

	January 31, 1960	January 31, 1959
CURRENT LIABILITIES:		
Due banks	$ 8,610,000	$ 4,639,100
Accounts payable—trade creditors	2,253,594	2,081,476
Due customers	1,328,628	1,233,708
Accrued payrolls	1,257,743	822,458
Accrued property and franchise taxes	435,751	377,779
Accrued federal and state taxes (Note 3)	3,511,364	2,404,524
Sundry payables	657,459	442,840
Total current liabilities	$18,054,539	$12,001,885
LONG TERM DEBT:		
5¼% - 5¾% Promissory notes (Note 4)	$ 7,000,000	$ —
3½% Promissory note (final maturity February 1, 1966) (paid December 21, 1959)	—	5,000,000
5% Convertible subordinated debentures (due August 1, 1979)	4,537,000	—
4½% Convertible subordinated debentures plus unamortized premium (due September 1, 1970) (Note 5)	—	3,391,704
	$11,537,000	$ 8,391,704
CAPITAL:		
4¼% Preferred stock, cumulative, $100 par—Issued	$ 2,960,000	$ 3,040,000
Common stock, $5 par— Authorized—1,000,000 shares Issued—751,539 and 598,028 shares at respective dates	3,757,695	2,990,140
Paid-in surplus (premium on capital stocks)	5,398,441	1,956,489
Retained earnings (Note 6)	14,766,952	13,301,990
	$26,883,088	$21,288,619
Less—Treasury stock (at cost)	249,240	179,039
	$26,633,848	$21,109,580
	$56,225,387	$41,503,169

ALDENS, INC. *real estate subsidiaries*

COMBINED BALANCE SHEET

ASSETS	January 31, 1960	January 31, 1959
CURRENT ASSETS:		
Cash on deposit	$ 177,043	$ 220,014
U. S. Government securities plus accrued interest (at cost) (market value $101,156)	102,437	—
	$ 279,480	$ 220,014
OTHER ASSETS	$ 31,110	$ 33,149
FIXED ASSETS:		
Real estate and equipment (at cost) (Note 7)	$5,214,085	$5,214,085
Less—Reserves for depreciation	829,777	636,396
	$4,384,308	$4,577,689
	$4,694,898	$4,830,852
LIABILITIES AND CAPITAL		
CURRENT LIABILITIES:		
Current installments on long term debt	$ 157,000	$ 148,000
Accrued interest	17,322	17,959
Accrued federal income taxes (Note 3)	4,416	4,710
Prepaid rent	34,634	34,634
Total current liabilities	$ 213,372	$ 205,303
LONG TERM DEBT:		
First and leasehold mortgage 5% - 4½% sinking fund bonds (due in quarterly installments to April 1, 1976)	$4,023,000	$4,171,000
Less—Current installments	157,000	148,000
	$3,866,000	$4,023,000
CAPITAL:		
Common stock	$ 615,000	$ 615,000
Retained earnings	526	12,451*
	$ 615,526	$ 602,549
*Denotes red	$4,694,898	$4,830,852

AUDITORS' OPINION

To Shareholders of Aldens, Inc.:

In our opinion, the accompanying financial statements present fairly:

(a) the consolidated financial position of Aldens, Inc. and consolidated subsidiaries at January 31, 1960 and January 31, 1959 together with the related statements of income and retained earnings for the years then ended; and

(b) the combined financial position of the real estate subsidiaries at January 31, 1960 and January 31, 1959 together with the related statement of income and retained earnings for the years then ended,

in conformity with generally accepted accounting principles applied on a consistent basis during the two years.

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
March 7, 1960

David Himmelblau & Co.
Certified Public Accountants

Alco Realty Co. and Ciro Land Corp.

STATEMENT OF COMBINED INCOME AND RETAINED EARNINGS

	Fiscal Year Ended January 31, 1960	Fiscal Year Ended January 31, 1959
RENT RECEIVED FROM PARENT COMPANY	$415,609	$415,609
DEDUCT:		
Depreciation	$193,382	$193,383
Interest expense (net)	201,903	212,393
Property and sundry taxes	339	394
Other expenses	2,908	2,890
	$398,532	$409,060
Income before provision for federal taxes on income	$ 17,077	$ 6,549
PROVISION FOR FEDERAL TAXES ON INCOME	4,100	4,400
NET INCOME FOR YEAR	$ 12,977	$ 2,149
DEFICIT AT BEGINNING OF YEAR	12,451*	14,600*
RETAINED EARNINGS OR DEFICIT* AT END OF YEAR	$ 526	$ 12,451*

*Denotes red

ALDENS, INC. AND ITS WHOLLY-OWNED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED JANUARY 31, 1960

(1) Principles of Consolidation:

The consolidated financial statements of Aldens, Inc. include all merchandising subsidiaries and Aldens Acceptance Corporation; they do not include the real estate subsidiaries, Alco Realty Co. and Ciro Land Corp., which are combined in separate statements. All subsidiaries are wholly-owned.

(2) Customers' Installment Accounts Receivable:

All customers' installment accounts have been converted to revolving credit. Under this plan, a service charge is billed to each customer monthly on the basis of outstanding balance. Under procedures previously followed, carrying charges were billed at the time of sale based on the amount of each sale and the Company provided a reserve for collection expense at the year end. Under the revolving credit plan, reserve for collection expense is not needed and no provision therefor was made at January 31, 1960.

(3) Provision for Federal Taxes on Income:

The non-recurring special credit represents reduction in provision for estimated federal income taxes for the fiscal year ended January 31, 1960 which arises from conversion of customers' installment accounts receivable to revolving credit.

Federal income tax returns of Aldens, Inc. and its consolidated subsidiaries have been reviewed by the Internal Revenue Service through January 31, 1959. Federal income tax returns of Alco Realty Co. and Ciro Land Corp. have been reviewed through January 31, 1958 and January 31, 1957 respectively.

(4) 5¼% - 5¾% Promissory Notes:

The Company has entered into Loan Agreements, dated as of November 30, 1959, with a group of lenders consisting of fourteen insurance companies and one State investment board. These agreements provide for the Company to borrow the aggregate principal amount of $23,000,000 on or before May 10, 1960 at 5¼% per annum on $9,000,000 and 5¾% per annum on $14,000,000. Principal amount outstanding at January 31, 1960 consists of $6,000,000 at 5¼% and $1,000,000 at 5¾%.

The notes are due in annual installments on December 1, as follows:

Years	Aggregate Annual Maturity
1961-1964	$ 920,000
1965-1969	1,380,000
1970-1975	1,725,000
1976	Unpaid balance

The loan agreements provide that the accounts receivable sold ($15,000,000) will be repurchased and the agreement under which such accounts were sold shall be terminated on or before August 1, 1960.

(5) 4½% Convertible Subordinated Debentures:

Of the $3,325,200 principal amount of debentures which were outstanding at January 31, 1959, (a) $3,196,500 was converted into 130,080 shares of common stock and (b) $128,700 was redeemed by the Company at 104.4 plus accrued interest.

(6) Unrestricted Retained Earnings:

Under terms of the loan agreements with insurance companies, approximately $3,800,000 of consolidated retained earnings was unrestricted at January 31, 1960 with respect to the payment of cash dividends on the common stock.

(7) Real Estate Subsidiaries:

All of the real estate appearing on the combined balance sheet of Alco Realty Co. and Ciro Land Corp. is rented to Aldens, Inc. under a long term lease. The lease, land and building are pledged under the First and Leasehold Mortgage 5%-4½% Sinking Fund Bond Indenture.

a ten year performance record of ALDENS 1950 | 1959

FISCAL YEAR	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950
(Following are reported in thousands—000 omitted)										
Net Sales	$114,682	$98,420	$97,905	$102,372	$97,352	$90,505	$92,443	$85,726	$87,443	$79,784
Net Profit before Federal Taxes	5,862	3,772	3,506	3,453	2,720	2,687	3,407	2,111	3,673	4,555
Federal Taxes	2,482(2)	1,850	1,800	1,865	1,300	1,268	1,906	920(1)	2,144	2,507
Net Profit after Federal Taxes	3,380(2)	1,922	1,706	1,588	1,420	1,419	1,501	1,191(1)	1,529	2,048
Common Stock and Surplus	23,893	18,249	17,133	16,244	15,468	14,831	14,139	13,288	12,749	11,873
Working Capital	32,916	25,026	24,453	23,575	23,886	20,837	20,565	20,124	20,127	16,227
Accounts Receivable (including sold accounts)	44,624	32,658	30,122	30,518	24,886	21,156	19,564	16,948	15,500	12,867
Merchandise Inventories	14,575	12,218	14,379	13,625	13,071	11,181	10,207	10,591	10,625	12,237
(Following reported in actual amounts)										
Earnings per Common Share(3) after Preferred Dividends	$ 4.35(2)	$ 2.40	$ 2.11	$ 1.94	$ 1.71	$ 1.71	$ 1.81	$ 1.40(1)	$ 1.85	$ 2.53
Dividends paid per Common Share(3)	1.11	.94	.94	.94	.90	.82	.71	.71	.71	.71
Dividends paid per Preferred Share	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Book Value per Common Share(4)	31.55	29.62	27.83	26.39	25.13	24.09	22.97	21.57	20.70	19.28
Current Ratio	2.82	3.06	2.50	2.34	2.13	2.26	2.36	2.54	2.68	2.14
Price of Securities at close of year Common Stock(4)	$45¼	$23⅞	$16⅛	$15⅞	$21¼	$16¾	$13⅛	$10⅞	$12¼	$14¼
Preferred Stock	80	80	73⅝	76⅞	88	83	72¾	72	70	79½
Convertible Debentures	128									

(1) Includes carry-back excess profits tax credit adjustment of $161,116 which is equivalent to $.21 per share of Common stock.
(2) Includes non-recurring special credit of $460,000, equivalent to $.61 per Common Share.
(3) All years adjusted for stock distribution, stock dividends and issuance of Common Shares resulting from conversion of Debentures.
(4) All years adjusted for stock distribution and stock dividends.

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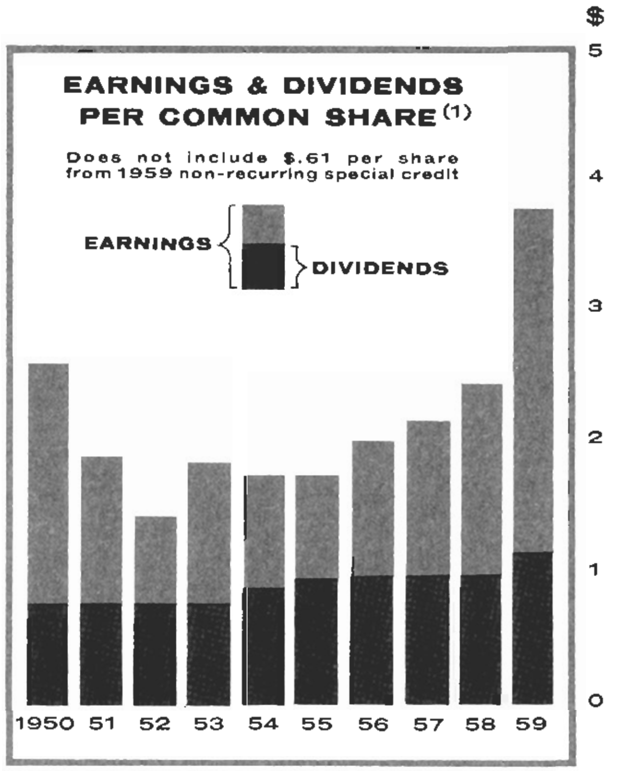
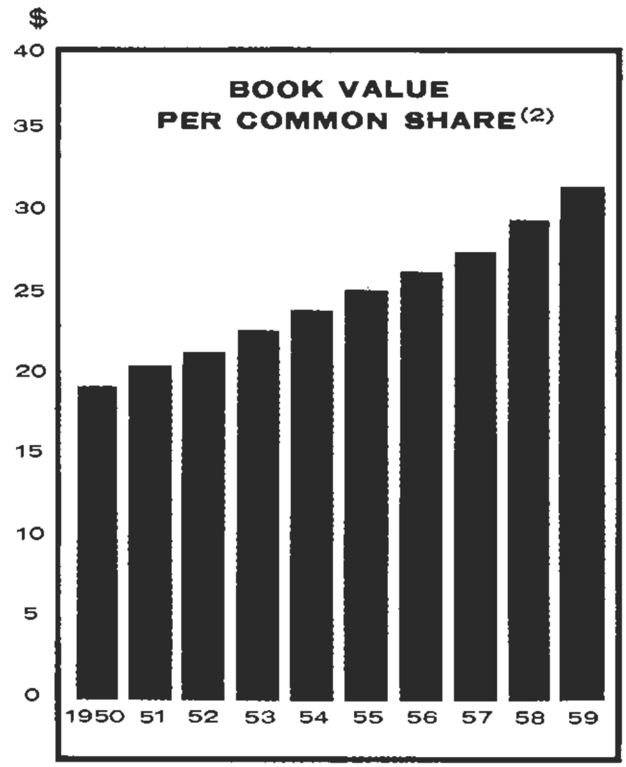
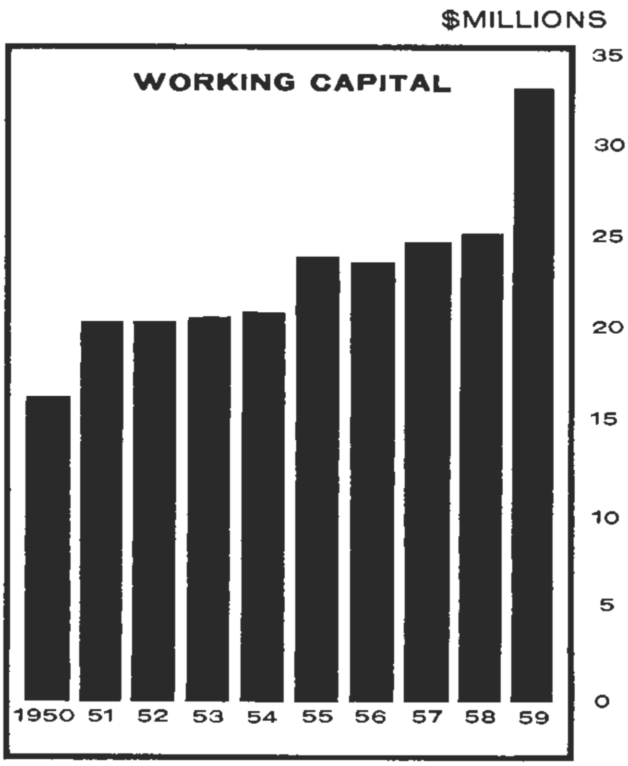
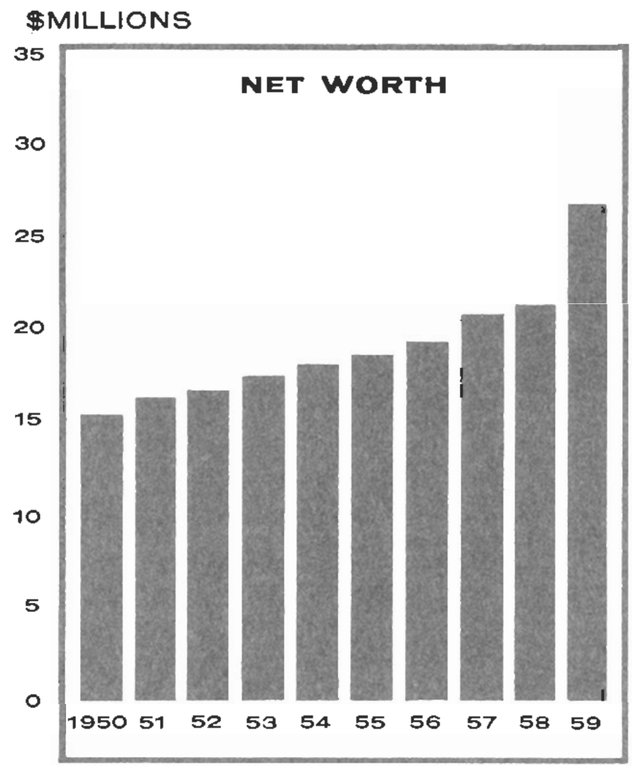








(1) All years adjusted to reflect stock distribution, stock dividends and shares issued as a result of conversion of debentures.

(2) All years adjusted to reflect stock distribution and stock dividends.

OUR GROWING INDUSTRY

Few people outside the mail order industry recognize or evaluate its dramatic growth and the role it has played in our national development. The mail order catalog is as much a part of our history as the horse and buggy, as American as an ice cream soda.

With every major change in the trend of our economy there have been those who cried out the doom of mail order. The coming of age of the automobile, the network of good roads, the spreading of chain stores across the nation, the movement of population from rural to urban and then suburban, all of these and many more were said to threaten our existence. But catalog shopping has grown with and sometimes beyond other retail markets, and continues to enjoy sales increases surpassed by few industries.

While known in America since the earliest Colonial days, mail order selling did not attain real stature until well after the Civil War.

The last half of the 19th Century saw the great migration of our people to the lands west of the Mississippi, and to the far west. As our western frontier disappeared and settlers changed the wilderness to homesteads, we became a nation with the bulk of our population and the principal source of our wealth on the farms and in small, often isolated rural communities. There followed the railroads to connect the growing communities of the sprawling country and the postal system to satisfy the demands of a people eager to be a part of the life of the nation.

Where the farms grew, where the towns sprang up, there went the mail order catalogs, at once nourishing and nourished by this grear market.

The catalog was then, as it is now, the lowest cost method for mass distribution of non-perishable consumer goods over large geographic areas. It brought a variety of wares to sparsely settled areas that could scarcely be equalled in the largest city department store. While it met the need for supplies of almost every kind, it also brought the news of inventions, new products, improved farm implements. The lavish bonnet ordered for church on Sunday was worn by milady with confidence in her knowledge of the latest fashion. Goods once laboriously manufactured at home were bought ready-made.

There was no Rural Free Delivery until 1896 (and no Parcel Post until 1913). While the postal system from the beginning meant life itself to the mail order companies, the industry in turn became its largest user and supporter, its most important source of revenue.

In the powerful movement to industrialization and the growth of our giant cities, mail order still played its important part. Many a small manufacturer, beset with the problems of the birth and nurturing of his product, found much needed help in the catalog. Mass distribution brought him the vast market he could not otherwise have reached, and at the same time provided the funds to improve his wares and enlarge his facilities.

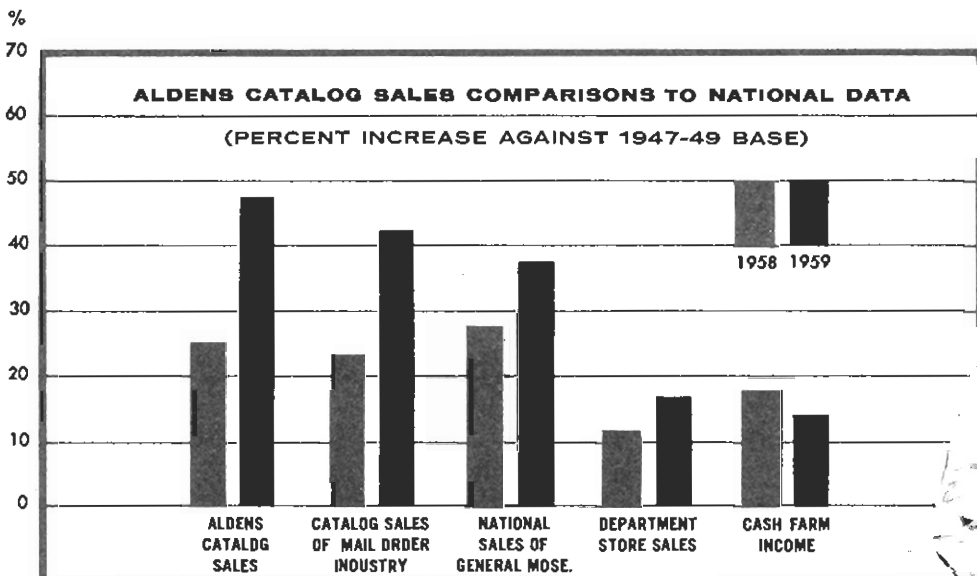
With the turn of the century and through the first World War years, the farmer advanced far along the road to prosperity. Large crops and good prices brought him an unprecedented level of purchasing power. Mail order prospered with him—until the drop in agricultural prices in 1920, followed by the debacle of 1921. To the farm bankruptcies and bank closings were added the failures of many mail order firms whose business had been built largely on C.O.D. sales. The automobile had come of age by 1920, and with it the gasoline-engine-powered farm machinery, and the shift of rural population to the cities. By 1925 strong retail competition appeared in the small towns in the form of chain stores.

One of the industry's greatest attributes is its ability to adapt to change. With the population shift to the towns and cities, the catalog must now also serve an urban market. With the concentration of retail store facilities in the towns made accessible to the farmer through the automobile, the catalog must offer even more to meet competition from the local merchants and chain stores.

The traditional competitiveness of lower prices and wide assortments was augmented by greater stress on fashion, more colorful catalogs, merchandise with more appeal for the urban dweller. The years which followed saw the development of the catalog order stores and attendant convenience to the shopper, the branching out to retail stores as mail order company subsidiaries, widespread use of credit, upgrading of merchandise selections to attract the middle-to-upper income families who comprise the greatest segment of our population. Mail order keeps pace with a changing market, with a rising standard of living.

Aldens looks forward with enthusiasm to the new decade and the years beyond. Though we share a common background with others of our industry, the figures which chart our growth over the past ten years show a higher rate of increase than the figures compiled by the United States Department of Commerce for the mail order industry as a whole.

New photographic processes and printing techniques enable us to produce increasingly beautiful catalogs, with colors and fabrics so realistically duplicated that the customer sees the true



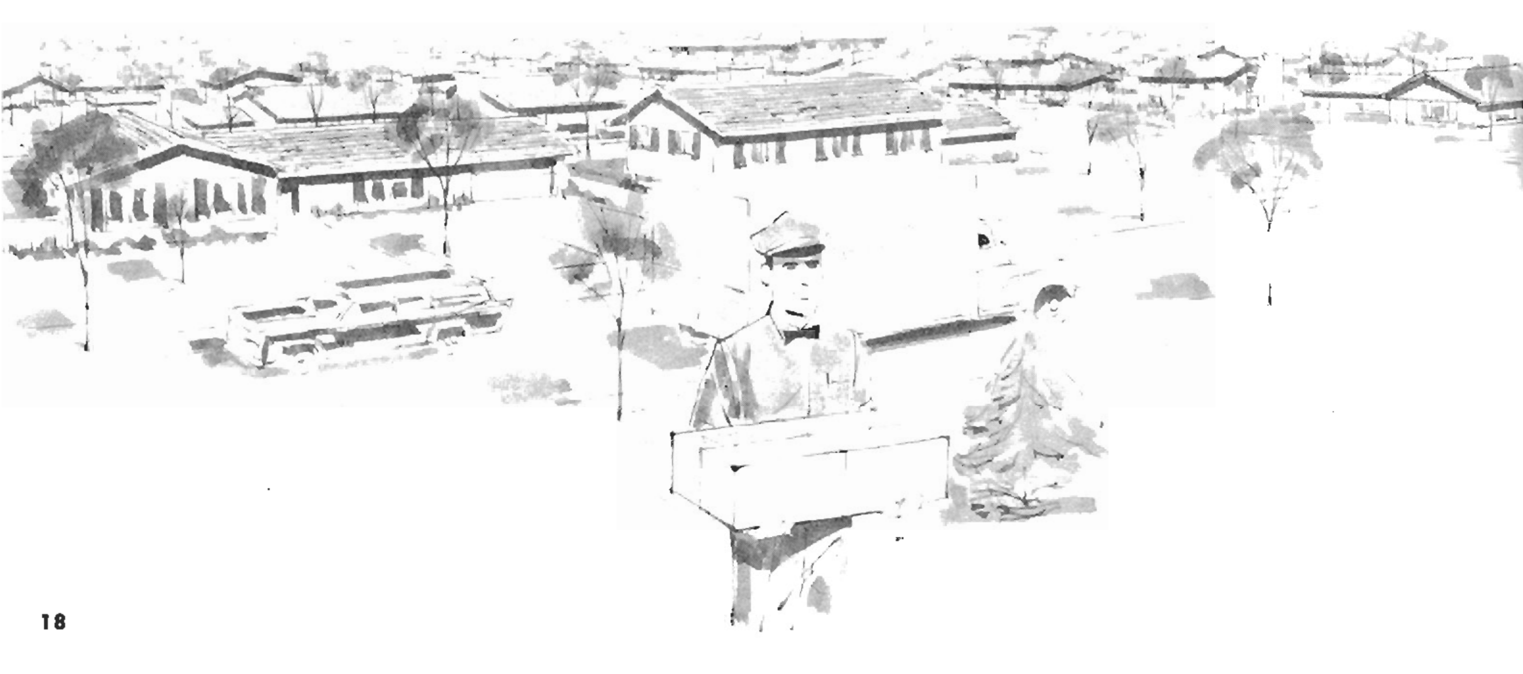
The chart above (drawn from figures compiled by various government agencies) graphically illustrates first the greater ratio of growth of Aldens catalog sales in 1958 and 1959, as compared to catalog sales of the mail order industry for both of these years. The industry in turn shows a greater rate of growth than national sales of lines of merchandise generally sold by mail order companies, and a far greater rate of growth than department store sales. Farm income is shown to illustrate the growth of Aldens catalog sales and those of the industry in the face of decreasing rural purchasing power, pointing up sharply the transition of catalog sales from rural to urban.

color and almost feels the fabric of the garment she is ordering. Photography, too, has replaced most of the artists' sketches with actual reproductions of our merchandise and our buyers are thus spurred to higher standards of quality and selectiveness. Automation helps to speed our work. The building which houses our headquarters and our hardlines mail order plant is one of the most modern and efficient in the country. Our merchandise finds increasing acceptance in urban and suburban communities, as well as in the rural areas where our story began. Millions enjoy the ease of armchair shopping from an Aldens catalog, when all the family gathers at their leisure in the comfort of the living room to select goods from an assortment numbering many thousands.

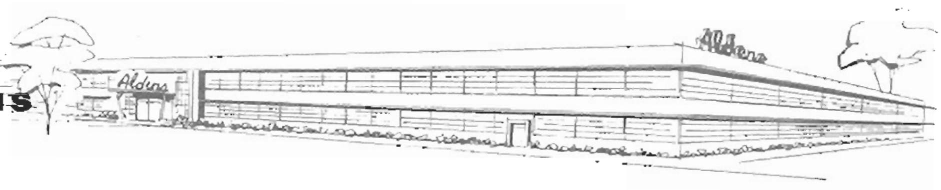
We hope to serve our customers in many more midwestern cities through a larger retail store division, now composed of thirteen junior department stores, for we believe that in this phase of our business and in this form of retail distribution lies great expansion potential. Our sixty-five catalog sales stores and telephone offices will continue to grow into a more widespread network of locations to serve more communities with the convenience of personalized assistance in catalog shopping, will-call and lay-away accommodations, parking facilities. The conversion of our customer accounts to revolving credit opens the door to accelerated installment sales. Our merchandise, operational and promotional plans all are geared to the shopping habits of America.

As for the future—the development of low-cost jet transportation of merchandise may reduce our costs and improve our service, may bring us goods now foreign to our catalogs. Perhaps our customers will shop at home by dialing a telephone number and watching on a screen a filmed demonstration of merchandise of their choice. Automation may absorb the filling of orders and packing the goods for shipment.

Numerous magazine and newspaper articles have been written about the lusty growth catalog sales have enjoyed in the past year. Aldens is a part of a growing industry—determined to become a bigger part year by year.



ALDENS LOCATIONS



EXECUTIVE OFFICES • BUYING OFFICES • CLERICAL OPERATIONS • HARD LINES PLANT & WAREHOUSE

5000 Roosevelt Road, Chicago 7, Illinois

SOFT LINES PLANT & WAREHOUSE

511 South Paulina Street, Chicago 7, Illinois

NEW YORK BUYING OFFICE

200 Madison Avenue, New York 16, New York

ALDENS RETAIL STORES

ILLINOIS
Alton (Young's)
Chicago
Elmwood Park
Galesburg (O. T. Johnson's)
Kankakee

INDIANA
Bedford
Bloomington
Frankfort
Terre Haute
Vincennes (Gimbel-Bond)

IOWA
Iowa City

KENTUCKY
Owensboro (McAtee's)

PENNSYLVANIA
Uniontown (Kaufman's)

ALDENS CATALOG SALES STORES AND TELEPHONE SALES OFFICES

ILLINOIS
Aurora
Berwyn
Bloomington
Broadview (in National Food Store)
Chicago
Chicago (In National Food Store)
Chicago Heights
Danville
Decatur
Des Plaines
East St. Louis
Elgin
Granite City
Harvey
La Salle
Moline
Peoria
Rock Island
Springfield
Sterling

INDIANA
Elkhart (in National Food Store)
Gary
Hammond
Indianapolis
Kokomo
Marion

IOWA
Dubuque
Waterloo

KENTUCKY
Louisville

MICHIGAN
Battle Creek
Bay City
Benton Harbor
Detroit
Flint

MICHIGAN (Cont.)
Grand Rapids
Jackson
Kalamazoo
Mt. Clemens (in National Food Store)
Muskegon
Pontiac
Royal Oak
Wayne
Ypsilanti

MINNESOTA
Minneapolis

MISSOURI
St. Louis

NEW JERSEY
Newark

NEW YORK
Buffalo
New York City

OHIO
Akron
Canton
Cincinnati
Cleveland
Columbus
Dayton
Lima
Lorain
Toledo
Youngstown
Zanesville

PENNSYLVANIA
Pittsburgh

WISCONSIN
Beloit
Burlington
Eau Claire
Kenosha
Milwaukee

OUR 71st YEAR • 1889-1960